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WORLD TRADE

Brinkmanship at the Uruguay Round

Page 4

World News

Israel Labour turns down Likud offer of coalition

Israel's Labour Party, rebuffing its leader, Foreign Minister Shimon Peres, rejected an offer to join a coalition government led by Prime Minister Yitzhak Shamir's right-wing Likud Party.

A spokesman for Mr Shamir said the prime minister would instead form a government of Likud and small far-right and orthodox Jewish religious parties as soon as possible.

Bangladesh cyclone

Bangladesh, still recovering from devastating floods which left 3,000 people dead, was battered by its worst cyclone in 20 years. The death toll may be as high as 5,000. Page 2

Row over Ryan case

A political row between Britain and Ireland over the case of Patrick Ryan, the Irish former priest wanted by London for alleged terrorist offences, intensified following reports of serious flaws in British extradition papers. Page 18

Pakistan spy charge

India arrested Pakistan's military attaché, accusing him of espionage. Page 2

Bhutto's path clear

Benazir Bhutto's main rival abandoned an attempt to form a Pakistani government, clearing the way for her nomination as first woman prime minister of a Moslem country. Page 18

Consulate threat

Australia is considering closing the Yugoslav consulate in Sydney and expelling its staff after the shooting of a 16-year-old Croatian youth.

USS Nimitz fire

A sailor was killed and another seriously injured when a jet fighter on the US aircraft carrier Nimitz accidentally fired shots and set another aircraft on fire during routine maintenance.

Sikhs face execution

Two Sikhs convicted of assassinating Indian Prime Minister Indira Gandhi in 1984 are due to be executed tomorrow at New Delhi's Tihar jail.

1957 disaster clues

Swedish space research company published satellite images showing the site of a Soviet nuclear accident at Kysthym in the Urals said to have occurred in 1957.

Kurd protest

Paris police arrested some 50 Turkish Kurds after violence broke out at a demonstration outside the hotel of visiting Turkish Prime Minister Turgut Ozal.

Air crash charges

Tokyo police will refer a total of 20 people for prosecution in connection with the crash three years ago of a Japan Air Lines Boeing 747 in which 524 died.

Walesa's TV plea

Solidarity leader Lech Walesa called for restoration of trade union freedoms in an impassioned television duel with Poland's Communist union chief.

Marcos fit for trial

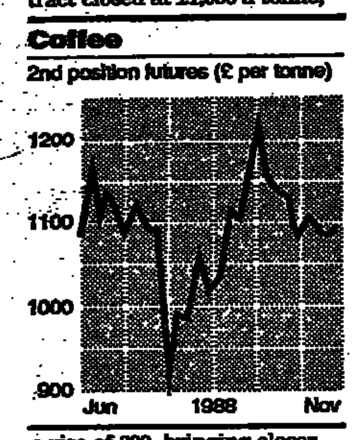
A doctor appointed by the US government has declared former Philippine president Ferdinand Marcos well enough to travel to New York to face arraignment on racketeering charges.

Business Summary

Siemens seeks alliance with GEC

SIEMENS, the West German electronics group, is interested in extensive collaboration with the General Electric Company of the UK even if the two companies fail in their joint bid for Plessey, the British telecommunications and defence group. Page 19

COFFEE prices rose sharply on growing concern about tight supplies of robusta from Africa. The three-month contract closed at £1,096 a tonne,



a rise of £29, bringing closer the possibility of an increase in International Coffee Organisation export quotas. Markets: Page 30

LONDON Stock Exchange has fined two securities houses for trying to falsify the market, according to Stock Exchange rules, by late trade reporting. Page 9

THOMSON CSF, French state controlled defence and electronics company, and Aerospatiale, French state aerospace concern, are negotiating a merger of their military and civil flight electronics businesses to form Europe's biggest group in the sector. Page 20

CABLE & Wireless, international telecommunications group, launched a raid on the shares of Telephone Rentals, telephone equipment supplier for which C and W is making a £320m ($588m) takeover bid. Page 19

MORGAN Grenfell Australia, Australian arm of the London merchant bank, is slashing its operations in Australia still further by unexpectedly withdrawing altogether from stockbroking. Page 19

GENERAL Electric and Union Carbide's ambitious plan to merge their silicone-based chemicals operations into a $750m worldwide business collapsed because of opposition from anti-trust authorities and management disagreements. Page 20

YVES SAINT LAURENT is planning a FFr1.5bn ($253m) capital increase which will also see Cerus, the French holding company of Mr Carlo De Benedetti, reduce by about one third its stake in the famous French fashion and perfume group. Page 22

RECORD-BREAKING takeover auction for RJR Nabisco remained undecided as the company's management unexpectedly raised to $108 a share the supposedly final bid they had submitted to the company. Page 29

A.R.E. GALADARI Brothers, Dubai-based company which is one of the leading diversified groups in the United Arab Emirates, signed an agreement with Dubai Bank on terms to repay a Dh401m ($109m) loan. Page 22

TOSHIBA, the Japanese maker of electric and electronic goods, lifted consolidated net income for the first half ended September by 203 per cent to Y53.6bn ($437.7m). Page 23

BRIDGESTONE, Japanese tyre company, announced a $1.5bn expansion plan for Firestone Tire & Rubber, the US group it bought earlier this year for $2.6bn. Page 23

World bankers urge open access to EC markets after 1992

By David Lascelles, Banking Editor, in London

A GROUP of the world's leading bankers yesterday made the strongest public statement yet from the banking community about the European Community's plans for financial markets after 1992.

The bankers – who include Mr John Heimann, vice chairman of Merrill Lynch Capital Markets and head of its European operations, Sir Martin Jacomb, chairman of Barclays de Zoete Wedd, and Mr Dennis Weatherstone, president of J.P. Morgan – listed a series of basic principles they see as essential to ensure the Community's financial markets remain open to the rest of the world after the creation of the EC single market.

They urge the EC to end the uncertainty surrounding key issues on market unification, particularly on access, and supervisory and regulatory principles.

The EC proposals are causing considerable controversy, mainly because of the proposal that non-EC institutions should be subjected to a reciprocity test before they can be admitted.

The banking world is worried that the 1992 plan could therefore restrict or exclude non-EC institutions from the market, mainly on grounds of reciprocity.

Although EC officials have recently tried to clarify these plans by stating reciprocity would not be applied to institutions already present in the Community, there is still concern among institutions outside the EC that the unified market will discriminate against non-EC banks.

Yesterday's initiative took the the form of an open letter to Mr Gerry Corrigan, President of the New York Fed.

The bankers belong to the Fed's International Capital Markets Advisory Committee – a group of top commercial and investment bankers which was formed last year to advise the Fed on international matters.

"These matters will have an immediate and significant bearing on business plans for EC and non-EC financial firms alike, as well as for supervisory authorities around the world," they say. "Their resolution cannot be delayed until the early 1990s."

The committee puts forward four principles which they say should ensure that access to the market is fair and open, but prudently managed:

- Markets should be open to all suitably-qualified institutions, regardless of origin, with assurances that supervision and regulation "are not used as unwarranted barriers to effective competition."
- Reciprocity should not be applied on a "mirror image" basis under which access to the EC market would depend on Community institutions being granted identical privileges in the foreign market.
- Giving the same national treatment to all institutions while modernising financial structures is the best way to improve competition.
- Supervisory authorities in all major countries should press ahead with plans for co-operation in supervision and operation of both international capital markets and banking.

A total of 18 people put their name to the letter, most whom were representing US commercial and investment banks. Some, however, also belonged to institutions in Canada, Japan, Switzerland, Germany, and France.

The Americans and Japanese are the most worried by the EC's plans because they fear their own internal restrictions on banks engaging in securities underwriting could trigger "mirror image" counter-measures against them in the Community.

But the presence of Sir Martin Jacomb, a leading London financial figure, is also an indication of the UK's concern that 1992 could affect London's position in the international financial market place.

There is little Mr Corrigan can do, as recipient of the letter, to shape EC policy because he is not involved. However, the advisory committee members clearly hope to make an impact in Brussels by publishing their letter.

The Fed's views also carry considerable weight among EC central banks and regulators. Mr Robert Heller, a Fed governor, has already warned that any attempt by the EC to impose restrictions on American banks would trigger a regulatory backlash in the US.

Editorial comment, Page 16

Lawson defends policy on £

By Peter Norman, Economics Correspondent, in London

MR Nigel Lawson, British Chancellor of the Exchequer, yesterday declared that the UK Government's anchor against inflation is its determination not to allow a devaluation of the pound.

However, in a detailed exposition of the Government's policy towards sterling, he told the House of Commons Treasury and Civil Service Committee that he did not want to see a sharp upsurge in the exchange rate, such as occurred with the US dollar after 1982.

"That is neither necessary nor desirable," the Chancellor said.

But Mr Lawson recalled that the pound has been on an upward trend since the February 1987 Louvre Accord in which the Group of Seven leading industrial nations agreed to work for exchange rate stability.

Events since the spring, when he tried in vain to peg sterling to DM3.00, had led him to believe that a slightly higher exchange rate was now "appropriate," he added.

The Chancellor said that the strength of the British economy and the need to make British industry take a disciplined line in agreeing wage settlements had prompted his change of view since the spring. He recalled that the pound had depreciated against the D-Mark in each of the six years up to 1987, which had prompted industry to believe that such depreciation was a fact of life. "That psychology had to come to an end," he said.

He said that there was no difference between himself and Mrs Thatcher, the Prime Minister, on economic policy. His bid to peg the pound in the spring led to a major dispute between the two.

The Chancellor firmly rejected suggestions from some members of the committee that industry would suffer from the Government's strong sterling

Continued on Page 18

Daimler chief urges European defence groups to build links

By David Marsh in Bonn

A CALL for European defence and aerospace companies to build up corporate links through a network of cross shareholdings has been made by Mr Edzard Reuter, chairman of Daimler-Benz, the West German motor and engineering group.

At the same time, he said there would probably need to restructuring and job cuts at some activities of Messerschmitt-Bölkow-Blohm (MBB), the country's biggest aerospace group in which Daimler is poised to take a controlling 30 per cent stake in a deal approved by the federal Government last month.

"There are no plans for any dramatic decisions," he said in an interview with the Financial Times. "But it will be the task of the Aerospace group (Daimler's new division) to consider the structure of the whole group. In general I believe that in one or two places there will have to be closures."

He said the takeover, which would create one of the world's largest engineering and aerospace groups with an annual turnover of about DM80bn ($46.2bn), was still not certain to go ahead. This was because talks had not yet been completed with West German state governments enabling Daimler to proceed with streamlining at some of MBB's 16 West German plants.

On European aerospace co-operation, Mr Reuter said: "I believe that this can be strengthened through company cross shareholdings, where one partner (Daimler) takes a stake in France or England, and the British and French take stakes in the German industry."

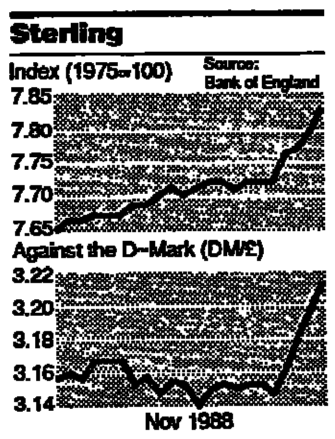
Mr Reuter said he would be exploring the possibility of cross shareholdings in the next few weeks in talks with Professor Roland Smith, chairman of British Aerospace.

BAe however is sceptical about the possibility of reciprocal shareholdings with Daimler. It pointed out that foreign shareholders already had a combined stake of 13 per cent in it, close to the 15 per cent maximum set by the Government when the company was privatised in 1985.

Mr Reuter said his ideas on cross shareholdings in defence technology also extended to other companies, including Plessey, Marconi and General Electric Company in Britain. He was also in discussions with with Aerospatiale, Snecma and Dassault in France, while such links with Fiat of Italy were also a possibility.

Additionally, Mr Reuter said Daimler would be exploring ways of buying more aerospace components from abroad as a means of offsetting the effects of the fall in the value of the dollar on MBB's civil airliner business.

Feature, Page 16



Washington backs early meeting of G7

By Peter Norman and Simon Holberton in London

FINANCE MINISTERS from the Group of Seven major industrialised countries have not yet decided if they will meet before next April, but the US is in favour of an early gathering.

A US Treasury official said yesterday the US favoured a meeting shortly after the inauguration of Mr George Bush as President in late January.

He stressed, however, that no firm date had been set and added that recent publicity of a meeting could undermine the chances of it occurring. Neither is there full agreement among the G7 that such a meeting should take place.

Both Mr Pierre Bérégovoy, French Finance Minister, and Mr Gerhard Stoltenberg, West German Finance Minister, have come out in favour an early meeting of the G7. The UK and Japanese, however, have reservations.

Mr Nigel Lawson, UK Chancellor of the Exchequer, said nearly three weeks ago he saw no reason for the G7 to meet before its scheduled April meeting in Washington, when the interim committee of the International Monetary Fund meets.

Mr Lawson is concerned that news of a meeting may raise expectations in financial markets.

The Japanese apparently have raised concerns over the timing of the proposed meeting because it is likely to coincide with parliamentary deliberations over the 1989-90 budget.

The US position is, however, that an early meeting of the G7 would be beneficial for two reasons. It would allow European and Japanese officials to meet Mr Bush's new team. It would also maintain the momentum of policy co-operation.

The US also believes a meeting would enable ministers

Continued on Page 18

Reformers in Estonia plan radical change

By John Lloyd, recently in Tallinn, Estonia

ESTONIAN reformers have drafted a radical package of political and economic measures for the Soviet Baltic republic including proposals for an Estonian currency, local immigration laws and a substantial development programme funded by Western borrowings.

The plan, commissioned by the Estonian Government, will be put before the Estonian Supreme Soviet (parliament) on Monday. Its adoption is certain to deepen the rift between the most recalcitrant of the Soviet Union's 15 states and Moscow.

Estonian leaders have so far refused to bow beneath the torrent of criticism which has been levelled at them in Moscow by Mr Mikhail Gorbachev, the Soviet leader. In a speech to the Praesidium of the Supreme Soviet on Saturday, Mr Gorbachev said proposals for republican control of resources and on private property were anti-socialist and "a grave error."

But Mr Arnold Ruutel, the Estonian President, told the the USSR Supreme Soviet, which is meeting in Moscow this week, that "there is nothing surprising that we have found our own vision to help us with our economic difficulties."

Many Estonians also believe that Monday's Soviet meeting in Tallinn, the republic's capital, will refuse to recognise the decision of the USSR Supreme Soviet to declare illegal its resolution to exercise a veto over USSR laws, passed two weeks ago.

Under the latest Estonian proposals, known as IME, all Soviet state property, land and enterprises would be transfered to the Estonian Soviet.

Other provisions envisage encouraging private, as well as co-operative and state ownership, the emergence of an Estonian currency, an immigration law which would curtail the rights of other Soviet citizens to settle permanently in the republic and hefty borrowing from the West to fund the rapid development of a technologically advanced infrastructure.

In addition, the Estonian foreign ministry is pursuing a proposal to establish its own consulate in Stockholm, Sweden, and is considering a similar move in Helsinki, the Finnish capital.

The reformers who have drafted the IME plan are enthusiastic to forge new links with Scandinavian countries and other Baltic republics.

Mr Arvo Kuddo, an economist and demographer at the Estonian Academy of Sciences Institute for the Economy, and one of the main authors of the IME plan, said that the drafting group estimated Estonia would need to borrow some Rs7bn ($11.8bn) from Western banks to fund an industrial restructuring programme to re-equip ailing heavy industry and set up new light – especially electronic – industries.

The plan envisages "equal" relations between Estonia and the rest of the Soviet Union – with the republic charging full market prices for the finished goods in which it specialises, but also paying full price for raw materials imported from the rest of the Soviet Union.

At the same time Estonia would attempt to increase greatly its trade with the West – at present only 3 per cent of Estonian products are sold abroad.

Mr Kuddo said that an Estonian currency, fully convertible, was necessary to the plan.

His surveys of Estonian demography have shown that the proportion of Estonians in the republic has fallen to just over 60 per cent, from a level of over 65 per cent at the time of the last census, in 1979. He said that "an immigration policy is essential if we wish to retain the national character of the republic.

Mr Kuddo said that education, medical and welfare policies should be entirely in the republic's hands, with Estonian enshrined as the state language and the curriculum decided in Tallinn rather than, as now, in Moscow with limited local discretion.

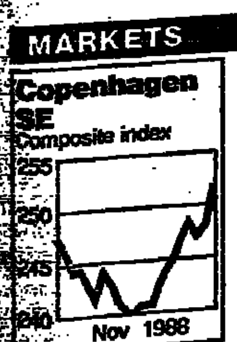
He stressed that the plan "can only be implemented in whole, not in parts."

Soviets end jamming, Page 18; Chinese visitor, Page 2

Hopes increase for arms negotiations

Britain and France believe that the Soviet Union might agree to begin talks on reducing conventional arms throughout Europe without a prior decision on whether a conference on human rights should be held in Moscow. French President Mitterrand and British Prime Minister Thatcher said yesterday that the issues were no longer linked. Page 18

MARKETS



STERLING
New York $1.8535 (1.844)
London: $1.8505 (1.8525) DM3.2125 (3.2) FFr10.9775 (10.925) SFr2.69 (2.6775) Y225.5 (225.0)

DOLLAR
New York lunchtime: DM1.731 (1.73475) FFr5.91235 (5.9285) SFr1.44925 (1.44975) Y121.45 (121.825)
London: DM1.736 (1.727) FFr5.9325 (5.8975) SFr1.453 (1.445) Y121.9 (121.45)

GOLD
New York latest Comex Dec $429.6 (427.1)

INTEREST RATES
US lunchtime Federal Funds 8 1/16 %; 3-mo Treasury Bills: Yield 8.088% (8.236); Long Bond: 99 ... ; Yield 9.079% (9.128)
London: 3-month Interbank: 13 1/8 % (13 1/8)

STOCK INDICES
New York lunchtime Dow Jones Ind. Av. 2,114.51 (+12.96); S&P Comp 273.23 (+2.32)
London: FT-SE 100 1,792.4 (+5.5); World: 137.96 (Tues)
Tokyo Nikkei Ave 29,578.9 (+260.6)
Frankfurt Commerzbank 1,582.5 (+15.5)

OIL
Brent 15-day (Argus) $14.28 (+8cts) (Dec)
West Tex Crude $15.11½ (+15cts) (Jan)

CONTENTS

Determined inquiry uncovers abuses by Queensland officials

An 18-month inquiry into state corruption has uncovered abuses of public position and trust over a period of many years. Sir Joh Bjelke-Petersen was state premier for 20 years. How much did he know? Page 18

Indian trade deficit increases sharply

By David Housego in New Delhi

INDIA's trade deficit widened substantially during the first six months of the current financial year putting pressure on the Government to look to fresh foreign borrowing to finance the gap.

Officials yesterday denied local press reports of new import curbs. But they conceded there could be some stretching out of future large investment projects with an emphasis on covering the foreign exchange content of these with matching financial packages.

Over the first six months (April-September) of the financial year the trade gap widened by 40 per cent to Rs 41.7bn (£1.53bn) according to Customs figures. But the still unexplained decline in the foreign exchange reserves over the same period means that the real gap could be even larger.

The widening of the deficit – well beyond official expectations – comes at a time when industrial investment is expected to expand in line with the sharp increase in real economic growth resulting from this year's exceptionally good monsoon.

Imports over the six-month period rose by 26.6 per cent to Rs 131.6bn while exports rose by 21.2 per cent to Rs 89.8bn. In dollar terms imports rose by 16.8 per cent against an 11.9 per cent increase in exports.

In the hope of containing the trade deficit, the Government has introduced a number of incentives to boost exports including a managed depreciation of the rupee. But in balance of payments terms, exports need to rise 50 per cent faster than imports to hold the Gap steady.

In the short run, there is export of more rapid ments – expansion. Garments – an item – are India's biggest export restrictions limited by quota and gems – a jewellery item – are heavily big export on imported raw dependent materials. Exports of engineering goods are rising slowly.

Denials yesterday of import curbs underline the Government's reluctance to impede investment much needed to improve the competitiveness of industry. But postponement of some projects with a high import content seems inevitable as does the recourse to greater foreign borrowing.

Indian institutions are believed to have substantially extended their short-term borrowing abroad this year. The Government has also been seeking to tap long-term funds from Indians living abroad through the issue of dollar bonds redeemable only in rupees.

India's total outstanding foreign debt is estimated at close to $60bn.

Pakistan envoy held in India on spying charges

INDIA arrested Pakistan's military attaché for spying yesterday after catching with a sensitive defence document, a government spokesman said, Reuter reports from New Delhi.

Security men pounced on Brigadier Zahir-ul-Islam Abbasi at a Delhi hotel as he was meeting an Indian contact, he said.

But Mr Niaz Naik, Pakistan's ambassador to India, said he had been told nothing by the Indian authorities and was relying on television and radio news for information.

"I am trying to get in touch with somebody at External Affairs to let us know what is happening. It is a breach of diplomatic etiquette," he said.

"I heard that he went to the airport to see his mother go back to Pakistan at five o'clock and since then we have not heard anything."

The ambassador said he "did not think" it was conceivable that his defence attaché was spying.

The Indian spokesman gave no details of exactly when or where Brig Abbasi was arrested, but said a highly sensitive document had been seized.

The Indian security agencies have collected indisputable evidence over several months, including revealing photographs, of Brig Abbasi's involvement in defence-related espionage, the spokesman said.

Brig Abbasi, the most senior of three defence attachés in the Pakistani mission, has been in the Indian capital for more than two years.

His arrest comes at a sensitive time in relations between India and Pakistan who have fought three wars since gaining independence from Britain

... Singh, India's ... Pakistan, is ... briefing ...

Australia's gross external debt reaches A$120bn

By Chris Sherwell in Sydney

AUSTRALIA'S gross external debt has risen to a record A$120.4bn ($105bn) despite a strengthening currency, highlighting again the adverse impact of buoyant domestic growth on the country's balance of payments.

Figures for the three months to September, released yesterday, showed a jump of more than A$4bn in gross debt from a revised June figure of A$116.3bn. Net external debt also hit a record, increasing to A$93.26bn from A$90.01bn three months earlier.

On the foreign exchange markets the Australian dollar climbed to 63.7 on a trade weighted basis (May 1970=100), the highest level since October 1985. Against the US currency it broke through the 88 US cents mark before easing back.

Separate speeches yesterday from Mr Paul Keating, the Federal Treasurer, Mr Bob Johnston, the Reserve Bank Governor, and Mr Bernie Fraser, Secretary of the Treasury, all repeated the Government's view that its recently-tightened monetary policy was appropriate to the task of moderating overheated domestic demand.

As if to confirm their prognoses, the Westpac Bank-Melbourne Institute leading index of economic activity, also published yesterday, dipped slightly for September to record the first decline since January. But analysts warned that the economy was likely to show continued expansion into the early months of 1989.

Looking further ahead, however, Westpac, the largest of Australia's "big four" trading banks, yesterday predicted that the strength of the Australian dollar and higher interest rates would reverse the trend towards higher corporate profits.

Pre-tax profits of Australian companies have risen by more than 40 per cent since 1986, helped by higher commodity prices, declining real wages and lower financing costs, the bank said. But the stronger dollar was eroding the value of foreign earnings while higher interest rates were lifting financing costs.

The Government was also urged yesterday to continue the programme of micro-economic reform it had already begun. The message came in the annual report of the independent Committee for Economic Development of Australia (CEDA), a research-oriented organisation of businessmen and academics, and coincides with a growing belief that the Government is dragging its feet over further structural adjustment.

400 dead as cyclone sweeps Bangladesh

AT LEAST 400 people were killed as the worst cyclone for nearly 20 years battered Bangladesh. Officials said yesterday they feared the death toll would be as high as 5,000, Reuter reports from Dhaka.

State-run Bangladesh television said at least 400 people were confirmed dead and reports were still coming from remote areas pounded by a huge tidal wave in the storm's wake.

It said more than 200 people died in the Khulna district alone and 102 bodies had been recovered.

The cyclone, the worst since a 1970 storm which killed half a million people, also devastated coastal areas of India's West Bengal state leaving at least 30 dead according to latest reports.

The storm roared across the Bay of Bengal on Tuesday night, sinking a Singapore-registered freighter with a crew of 19 as it raced for safety.

Officials in Bangladesh's main port of Chittagong said the Pumori sent out a distress signal before it sank about 200 km from the coast.

Lloyds shipping agents in London said a search was still going on for the missing crewmen. It said earlier reports that they had been rescued by a British vessel, Tenacious, were mistaken.

Mr Kazi Firoze Rashid, Bangladesh's State Minister for Relief and Rehabilitation, said at least 100 people had been drowned by a tidal wave in Bhola, Patuakhali and Barisal districts while flying debris killed another 100 in Satkhira.

"The grim picture is beginning to emerge," he said as the casualty toll mounted.

Weather officials said the cyclone, with wind speeds of 165km per hour, was more powerful than the 1970 storm.

But they expected fewer casualties because the Government had issued cyclone warnings and had evacuated people from coastal areas well ahead of the storm's arrival. Bangladesh, one of the world's poorest nations, is still seeking international aid to repair the damage caused by floods in August and September which killed 3,000 people and laid waste huge areas of croplands.

Relief officials said they were still waiting for full reports from areas hit by the tidal wave.

"We suspect hundreds of may have been killed and $1m worth of property destroyed," one official said.

In Calcutta, capital of West Bengal, officials said at least 30 people had died in the storm and 24 fishermen were still missing.

They said thousands of people were homeless after the storm swept away their mud homes.

The storm also closed down Bangladesh's second port of Mongla, officials said, forcing three lighters aground and covering jetties with 1m of water.

The storm disrupted telecommunications and power supplies in at least 16 towns and four coastal districts and sank at least 500 small fishing boats, officials said.

Boksburg takes petty apartheid to heart

By Anthony Robinson in Boksburg

THE BOKSBURG WHITE burgers of Boksburg, a suburb east of Johannesburg, gave black and the adjacent township of Vosloorus a shock today when leaders of the adjacent townships bring thousands to the Boksburg Lake Park. Black-owned ... town by "for a stroll around the Boksburg lake".

According to Mr ... Mofokeng, 28-year-old ... man of the black Vosloorus council management committee, the next stage will be withdrawal of purchasing power" from the town's white-owned shops which, he says, are dependent for 80 per cent of their trade on black consumers.

Public meetings are being held in both communities to decide on these and other acts to demonstrate the anger of the 172,000 blacks and 40,000 Coloured, or mixed race, people in the area at being excluded from municipal sporting, recreational and other facilities by the recently elected Conservative Party-dominated town council led by Mayor Beyers de Klerk.

Choosing his words carefully to avoid the risk of having the plans stymied by the emergency laws which, for example, outlaw consumer boycotts or political demonstrations, Mr Mofokeng yesterday explained how local black taxi operators have agreed to lay on special trips to take shoppers to other white towns in the area such as Germiston, Alberton and Benoni which do not have Conservative Party councils dedicated to restoring "petty apartheid".

Elsewhere Carletonville, a big gold mining town west of Johannesburg has taken the lead among the 90 or so newly CP-controlled town councillors by ordering an inquiry into the possibility of reimposing a curfew which would keep all blacks off the street after a certain hour.

The man at the centre of the Boksburg storm is Mr Beyers de Klerk, the newly appointed mayor, a chunky weightlifting estate agent who proudly describes himself as an "English-speaking Boer" because of his mixed Afrikaner and Scottish ancestry. Mr De Klerk has no political experience but is religious.

Sitting in his office in the council building overlooking the newly segregated lake, Mr de Klerk says he is unperturbed by criticism and unworried by threats of consumer boycotts and protests from multinational companies such as Unilever and Colgate which are big local employers.

The mayor finds inspiration, solace and justification in his well thumbed black bible. His favourite quote is from Matthew 15, verse 24 "I was sent only to the lost sheep of the house of Israeli." He declines to elaborate on these somewhat enigmatic words. But pushed, he concludes: "I am prepared to sacrifice my life, my wife, my children and my business rather than stand aside from what I believe to be right".

Egypt likely to attend Arab summit

By Tony Walker in Cairo

EGYPT WOULD be included in any forthcoming Arab summit, a top adviser to President Hosni Mubarak predicted yesterday. Dr Osama al Baz, the head of Mr Mubarak's political office, was briefing reporters after talks between the Egyptian President and Jordan's King Hussein.

Cairo has been the focus of a rash of diplomatic activity in the past week as Arab leaders seek to build on a new, more moderate line agreed on by the Palestine Liberation Organisation in Algiers two weeks ago.

King Hussein, who was accompanied by a team of senior advisers, is spending two days in Cairo conferring with Mr Mubarak. This continues the pattern of frequent contacts between the two men.

They are certain to have discussed an Arab strategy to respond to the calculated snub delivered at the weekend by Mr George Shultz, the US Secretary of State, who was instrumental in refusing Mr Yassir Arafat, the PLO leader, a visa to visit New York to address the UN General Assembly.

Jordan sponsored a UN resolution, adopted by the General Assembly's legal committee on Tuesday, calling on the US to admit Mr Arafat to the UN debate. Washington has said their decision on the visa was final.

Arab states led by Egypt and Jordan are almost certain to press for the annual General Assembly debate on Palestine to be moved to Geneva. December 13-15 has been tentatively set for the special session.

Pressure for Egypt's re-admission to the Arab League appears to gaining momentum. Gulf states have been openly calling for Egypt's suspension from the peak Arab organisation to be lifted.

Only Syria, Libya and Lebanon have not yet resumed relations with Cairo. Most Arab states suspended relations with Egypt in 1979 following the signing of the peace treaty with Israel.

The unexpected visit to Cairo earlier this week of President Saddam Hussein of Iraq was widely seen as an acknowledgement of Egypt's central role in any Middle East peace initiative following the unveiling of a new PLO political programme in Algiers.

An emerging "moderate" Arab axis of Egypt, Jordan, Iraq and the PLO is anxious to seize the initiative in regional peacemaking and to exert pressure on the new US administration to focus quickly on the Arab-Israeli conflict.

Cairo has been encouraged by signs that Syria may be softening its attitude towards Egypt, but Egyptian officials doubt there will be any quick resumption of relations. "I do not expect anything to take place in the near future," Dr al Baz said yesterday.

President Mubarak (left) and King Hussein (right) pass a military band in Cairo yesterday

SW China hit by second earthquake

CHINA'S southern province of Yunnan, devastated by an earthquake three weeks ago, was hit by another major quake yesterday, the official New China News Agency said, Reuter reports from Peking.

Some houses damaged in the initial quake collapsed and several people were injured, according to initial reports from remote hill areas near Burma, the agency said.

The first quake on November 6 measured 7.6 on the open-ended Richter scale, killing at least 730 people and destroying about 400,000 houses. Yesterday's after-shock was smaller at 6.7 but still powerful enough to cause considerable damage.

The agency said the town of Zhutang in Lancang county bore the brunt of the initial disaster.

Tens of thousands of people have been living in temporary shelters since the first quake and have been warned of serious after-shocks by Chinese seismologists.

Mozambican rebels in S African spy link

A FORMER Mozambican rebel leader who defected last week said yesterday that South African and West German intelligence services maintain links with the insurgents in defiance of their governments' policies, AP reports from Maputo.

Mr Chanjunja Joao, former official of the right-wing Mozambican National Resistance, said the rebels' response to a South Africa-Mozambique rapprochement was to "work to increase links with the South African military services."

Mr Joao also said the rebels received assistance from members of a West German secret service unit.

Thais end lumber concessions

MR Chatichai Choonhavan, Thailand's Prime Minister, suspended government concessions to lumber companies indefinitely yesterday after uncontrolled logging was blamed for many of some 370 deaths in storm-ravaged villages, AP reports from Bangkok.

In two districts of Nakhon Sri Thammarat province, where 267 of the 367 bodies were found, mud, logs and trees cascaded down denuded hills, slamming into houses and burying villages. The disaster affecting 12 southern provinces occured during a week of heavy rains starting November 19.

Officials said that 385 people were missing and 2,057 injured in the worst natural disaster in Thailand in recent decades.

"We will reduce or revoke the concessions as much as the Thai law permits and punish poachers and violators severely," said the Government.

It said that Burma, Laos, Malaysia and Brunei should supply all of Thailand's lumber needs.

Permits already given were immediately suspended and companies involved in illegal logging will have their contracts terminated said Mr Sanan Kachornprasat, the agriculture and cooperatives minister. A total of 301 concessions are affected, the Forestry Department said.

Many foreign tourists have cancelled their trips to the south, usually popular for its beautiful beaches and islands.

The Meteorological Department predicted more heavy rain the next few days. Officials said the storm damaged 6,924 hectares of farmland and destroyed 13,270 homes and 337 government offices. Countries that have provided or pledged emergency aid include the US, UK, Canada, Australia, West Germany and Japan.

Iraq says it has tested anti-missile missile

IRAQ yesterday announced that it had successfully tested a domestically manufactured, anti-missile missile, The Iraq News Agency reported, AP reports from Baghdad.

The agency said that Mr Hussein Kamel Hassan, minister of industry and military industrialisation, reported the successful test to President Saddam Hussein. He said that a series of tests took place November 19 and called the development of the missile "a great achievement of international calibre."

Mr Hasan, a son-in-law of the president, said that the new surface-to-air missile intercepted a medium-range, ground-to-ground target missile. "The missile was completely destroyed before falling to the ground," the minister told the president in a telegram.

Iraqi television screened a film of the missile test yesterday evening. It showed launching of a ground to ground missile, its interception by a surface to air missile and a midair explosion in which both were destroyed.

Mr Hasan said that the missile was developed by an Iraqi team under Maj Gen Amer Mohammed Rashid, an engineer who heads the military industry organisation.

He gave no technical details about the new missile's range or destructive capability.

Western military analysts in Baghdad said that the new Iraqi missile could represent an important step forward in Iraq's effort to develop its own military industry.

The Iraq News Agency, said that the president, on receipt of the news, named the new Iraqi defensive missile the Faw-1.

Faw, in extreme southern Iraq was the sight of bloody battling during the eight-year Iran-Iraq war which ended in a cease-fire last August. The peninsula was taken by Iranian troops in February 1986 but recaptured in April, 1988 in a lightning Iraqi assault which gave an important boost to Iraqi morale.

Syrian troops raid Beirut arms dumps

SYRIAN troops yesterday raided suspected weapons depots in three neighborhoods of Moslem west Beirut following six days of clashes between rival Shiite Moslem militias that killed 40 people and wounded 87, AP reports from Beirut.

The move, as described by the Syrian command, was aimed at declaring west Beirut a "demilitarized city."

The Syrians intervened militarily in west Beirut on February 22, 1987, with the declared objective of ending three years of militia anarchy marked by killings, kidnappings and robberies in the capital's Moslem sector.

Yesterday about 200 Syrian troops in two trucks and an armoured personnel carrier confiscated two long-range rifles buried in the Mossaitbeh district, witnesses said.

The operation was launched on Monday by the Syrians after almost a week of clashes between the Iranian-backed Hezbollah and the pro-Syrian Amal in south and west Beirut.

Sino-Soviet thaw to be hastened by visit

By Quentin Peel in Moscow

THE FIRST visit by a Chinese Foreign Minister to Moscow in more than 30 years begins in Moscow today, when Qian Qichen arrives for talks with his Soviet counterpart, Mr Eduard Shevardnadze, intended to prepare the way for a Sino-Soviet summit.

The thaw in relations between the two Communist superpowers has accelerated in the past few months, with Peking finally responding to repeated Soviet overtures for a normalisation.

Li Peng, the Chinese Premier, has confirmed that a summit between Mr Mikhail Gorbachev and Deng Xiaoping, the supreme Chinese leader, could take place in the first half of next year. Mr Gorbachev has himself announced his enthusiasm for such a meeting.

The two foreign ministers will seek to agree on further ways of reducing tension along their huge common border, which remains a key Chinese precondition for a resumption of full ties.

The two sides have already reached a consensus on border demarcation for most of the 4,200km eastern section, from North Korea to Mongolia, and work has now begun on defining the 3,000km western section, from Mongolia to Afghanistan.

China has been demanding a withdrawal of Soviet troops from the border as one of three preconditions for the normalisation, two of which have already been partly met.

One is a withdrawal of Soviet troops from Afghanistan – due to be completed by next February 15, although the Chinese minister seems certain to express concern that the process has been suspended by Moscow in protest at continuing Pakistani and US supplies to the Afghan opposition guerrilla movements.

The second Chinese precondition, a withdrawal of Vietnamese troops from Kampuchea, is one on which Qian Qichen is likely to seek further assurances from Moscow, to provide some sort of timetable.

The Soviet side is certain to insist that it cannot provide or guarantee a timetable, which is the responsibility of Vietnam, but will continue to use its good offices to promote a Kampuchean peace settlement.

In an interview published in Moscow, Mr Shevardnadze said the ministerial talks were sought "to help arrange a full-scale Soviet-Chinese dialogue (concerning) not only bilateral relations but also international issues".

Speaking to the government newspaper Izvestia, Mr Shevardnadze said last week that the two sides would discuss "the question of lowering military tension along our common border, as well as confidence-building measures and military detente in Asia and the Pacific".

Mr Gorbachev has been seeking to build a distinctive Asia-Pacific arm to Soviet foreign policy, to balance the US-Soviet and European initiatives he has been pursuing in recent months.

Mr Shevardnadze said that the deterioration of relations between Peking and Moscow in the 1960s had "provoked such bitter feelings in our society, and I am sure, in Chinese society too. There is a great desire for these relations to return to normal".

Recent months have seen a variety of economic and trade links to underline the thaw.

The Bank of China was recently involved in a $50m loan to Moscow as part of a five-bank consortium, and Soviet exporters have been displaying their technology products at Chinese trade fairs.

A protocol has also been signed to resume construction of a railway

US-UN relations boxed in by Arafat visa ban

By Edward Mortimer in New York

LIKE ACTORS in a Greek tragedy, the US Administration and the UN General Assembly are squaring up for a conflict which neither wants and which will damage both, but are speaking from a script which both seem powerless to change.

Last night, the General Assembly was due to pass, by an overwhelming majority, a resolution which "deplores the failure by the host country" (that is, the US) to grant the entry visa requested by Mr Yassir Arafat, the chairman of the Palestine Liberation Organisation. Mr Arafat had hoped to address the Assembly today at the start of its annual Palestine debate, using the UN as a platform to explain the decisions taken last month in Algiers by the Palestine National Council and to advance his campaign for an independent Palestinian state in the West Bank and Gaza Strip.

The resolution urges the US "to reconsider and reverse its decision" – something which Mr George Shultz, the US Secretary of State, has made clear he has no intention of doing – and requests the Secretary General "to submit a report on the developments in this matter" by tomorrow.

It is, therefore, virtually certain that next week the Assembly will decide to hold the session in Geneva, probably from December 12 to 16, to enable Mr Arafat to speak. The US has said it has no objection to this procedure, but inevitably it will widen the gap between the US and the UN politically, as well as geographically.

The US and Israel were alone in voting against the resolution in the Assembly's Sixth (Legal) Committee on Tuesday night. Britain abstained, while all 11 other members of the EC were among the 121 states voting in favour. It seemed probable that this pattern would be repeated in the plenary session last night.

Sir Crispin Tickell, Britain's permanent representative, told the Sixth Committee that Britain was abstaining because the Arab sponsors of the draft had been unwilling to accept language which "without affecting the substance" would have shown "respect" for the US. It is understood that these suggestions, which Sir Crispin put to the Arabs, with the support of fellow EC members, included substituting the words "expresses disappointment at" for "deplores." Sir Crispin stressed, however, that in Britain's view Mr Arafat should have been allowed to come to New York and "this is the legal obligation of the United States".

He explicitly endorsed the opinion given by Mr Carl-August Fleischauer, the UN legal counsel, who had rejected the US argument that the US has the right, "confirmed by UN practice," to exclude individuals it holds responsible for terrorism or other acts of aggression against US citizens.

Mr Fleischauer said the UN had "never acquiesced in such a practice," though there had been previous cases where the UN Secretariat had "not insisted" because "the requesting state itself, for reasons of its own, did not pursue the latter".

In the present case, he pointed out, the US had not even attempted to claim that Mr Arafat's presence at the UN "would per se in any way threaten the security of the United States" or that he might, once in the US, "engage in activities outside the scope of his official functions directed against the security of the Host Country."

What baffles many observers at the UN is why Mr Shultz should have taken a decision calculated to envenom US-UN relations at a time when they had been markedly improving. One theory is that he may have been motivated, consciously or otherwise, by resentment at the nomination of Mr James Baker to replace him in the new Administration. Mr Baker's freedom of manoeuvre in dealing with the Middle East, and in particular with the PLO, is liable to be restricted by the legacy of this decision.

Reuter reporter beaten after West Bank story

A Reuter correspondent whose press card was suspended by the Israeli Government because of an article on undercover army units in the occupied West Bank was assaulted by unknown men outside his house this week, Reuter reports from Jerusalem.

Mr Steve Weizman said at least two men attacked him late on Sunday night after he parked his car outside his house. One smashed his face into the car roof and held his head while another hit him in the kidneys.

The assailants said nothing. They made no attempt to take money or property and ran off after about one minute, Mr Weizman said.

Mr Weizman, in a state of shock after the beating, did not report it to Israeli police until Tuesday. Police registered a complaint on the incident.

The Government Press Office last week returned the press cards of Mr Weizman and Mr Paul Taylor, Reuter's chief correspondent in Israel, after a month's suspension because of an alleged breach of military censorship with the undercover units story.

The assault on Mr Weizman followed an unexplained incident two weeks ago in which a car belonging to Mr Taylor and parked outside his house was damaged. The car battery exploded on ignition and a length of wire found underneath the engine suggested it had been intentionally short-circuited.

There was no proof that either incident was in any way related to the controversy over the Reuter report.

Brazil clashes with World Bank over nuclear energy

By Ivo Dawnay in Rio de Janeiro

TALKS between Brazil and the World Bank are deadlocked over conditions attached to a controversial $500m power sector loan to which a further $1.65bn in financing is linked.

The row centres on Brazil's decision to absorb its nuclear energy programme into its strategic plan for electricity supply — a move the Bank claims would breach its condition only to finance the most economically efficient development plan.

The power sector loan, the second of two $500m tranches aimed at reordering the finances of the heavily-indebted Brazilian state company, Electrobras, had been near to completion last September. However, it was then that Brasilia announced plans to take the state nuclear company, Nuclebras, under Electrobras's control.

This move met immediate objections from the bank on the grounds that new assessments would have to be made as to the "technical, economic, financial and environmental" efficiency of the overall plan.

In fact, the Bank — increasingly under pressure from environmentalists — has never made a loan to any country's nuclear industry. Furthermore, there are serious doubts as to the viability of Brazil's nuclear programme that has cost billions of dollars for little return in electricity generation.

But the official objection of the Bank is focussed on the judgement that developing nuclear power is not the most efficient use of scarce resources for Brazil. Taking a "least-cost" approach to restoring Electrobras's financial outlook was "the fundamental lynch-pin" to approving the loan, the Bank said yesterday.

The disagreement has left some difficult choices for Brazil. It can accept a humiliating climbdown, or stick to its position and attempt vainly to prove the value of a nuclear programme most analysts regard as too costly.

A payment under the loan was a necessary condition for commercial banks to disburse the second of three drawdowns — which together would total $5.2bn in new loans — under a debt rescheduling accord agreed mid-year and activated in September. This drawdown cannot now be made before next year.

This payment, of $600m, was originally scheduled for December with the final $600m drawdown due later next year. Also at stake is a further $450m in Japanese co-financing for the Brazilian electricity sector, dependent on agreement on the World Bank's criteria. It is possible however that the terms of the rescheduling agreement could be adjusted to allow the drawdowns to take place on the back of other World Bank lending.

Brazil's crippling inflation rate edged down to 26.9 per cent in November from 27.25 per cent the previous month, writes Ivo Dawnay.

This marginal improvement has failed to reach the 26.5 per cent target rate set in the tripartite social pact, agreed last month between government, unions and employers.

Nevertheless, it offers the government some relief after alarmist forecasts of more than 30 per cent.

Under the pact, union leaders have agreed to wage indexation in return for business observing a ceiling of 26.5 per cent this month on price rises for essential goods and services.

Ecuador to resume talks with creditors

By Stephen Fidler, Euromarkets Correspondent

ECUADOR'S foreign debt negotiators are to meet the country's leading commercial bank creditors today in New York to discuss a possible new money and rescheduling package. Negotiations with banks broke down earlier this year.

The Ecuadorean team, headed by Mr Jorge Gallardo, the Finance Minister, is due to meet a 14-bank steering committee today after preliminary discussions yesterday with representatives of the two leading banks, Lloyds and Chase Manhattan.

Ecuador has arrears to bank creditors estimated at $800m by the end of this year. After commitments to a $350m new money loan failed to reach the target, Ecuador aborted negotiations with banks in the summer.

In a surprise move in October, Mr Gallardo said that he would approach the International Monetary Fund for a standby credit to support an emergency economic plan announced on August 30. He also said talks to renegotiate its $6bn of medium and long-term debt to banks would start in November.

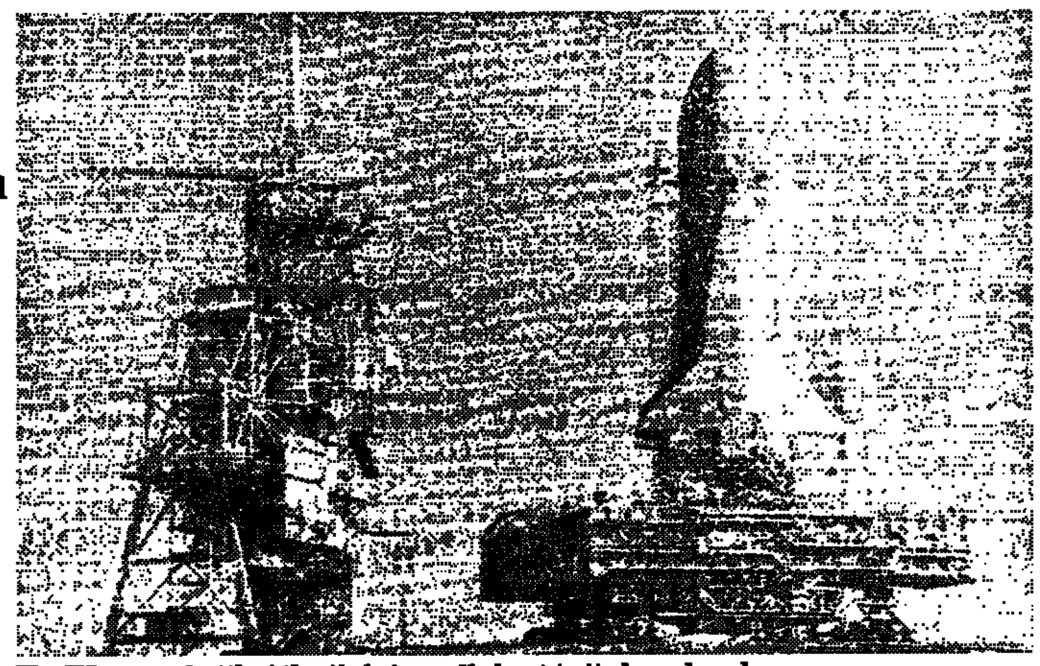
Bankers estimate that Ecuador needs about $800m in new funds to cover the years 1987-1989 and some believe that new funding on this scale would require, not only some kind of IMF accord, but a wide-ranging menu of options of creditors, including the opportunity for debt swaps and an option to capitalise interest.

US banks have vigorously opposed interest capitalisation as an option and have successfully blocked its inclusion in the giant rescheduling deal recently settled for Brazil.

● Argentina's debt negotiators, headed by José Luis Machinea, the central bank president, are due in New York on Monday to meet its main bank lenders, headed by Citibank. Bankers expect they will presented with a proposed term sheet from the Argentines. Mr Machinea is also expected to visit Washington for talks with officials from the IMF and World Bank.

Mystery surrounds shuttle's cargo

The military is making greater use of NASA's vehicle to launch its satellites, but for how much longer, asks Peter Marsh



The US space shuttle Atlantis being rolled out to its launch pad

AN EERIE guessing game has started among US space analysts over what the next flight of the US space shuttle fleet — which is due to start today — is carrying into orbit.

There has been speculation that Atlantis, one of the three vehicles in the fleet, may be about to launch a new generation of spy satellites, denoted the KH-12 series, that would be able to spot objects on the Earth's surface less than one foot in diameter.

The US National Aeronautics and Space Administration, the shuttles' operator, is, however, saying nothing about the payload other than it is a secret military satellite, owned by the US Defence Department.

The military nature of the flight is a prelude to what will be a large involvement of the Defence Department in shuttle missions over the next two years. Of the 18 shuttle voyages scheduled for 1989 and 1990, no fewer than seven will be missions on behalf of the Pentagon.

This interest by the Defence Department in using the shuttle may not, according to observers, last for very long. They claim that sections of the military establishment are disillusioned with the shuttle fleet due to its unreliability and high cost.

The official silence over the Atlantis flight — which is likely to be repeated for other shuttle trips involving military exercises - is in startling contrast to the hubbub of publicity stirred by the most recent space-shuttle flight two months ago.

On that occasion, which marked the return to service of the shuttles after nearly three years of inaction caused by the Challenger disaster of January 1986, Nasa went out of its way to tell the world every conceivable detail about the mission.

Nasa is slightly embarrassed about its inability to be more forthcoming about the latest flight, which is expected to last about three days.

One Nasa public relations officer said he would probably be authorised to say nothing at all about the mission during its entire duration — other than to say that Atlantis had taken off and landed.

The lack of details about the flight, which is carrying a crew of five military officers, is justified on the basis that the Pentagon wants to minimise the amount of information on its space hardware that it gives away to the Soviet Union.

Professor William Burrows of New York University, who is an authority on spy satellites, pointed out, however, that it should be possible to deduce the nature of the payload within just a few hours after the launch.

This was on the basis that an analysis of the orbit in which the satellite ends up — which amateur space watchers can find out about fairly easily using their own tracking equipment — would reveal which type of payload it was.

Prof Burrows said he believed the payload might be a KH-12 photographic spy satellite which would fly in an orbit about 150 miles above the Earth that would take it over most of the Soviet Union. The KH-12 series of vehicles, being built by Lockheed, are replacements for an earlier generation of so-called KH-11 spy vehicles built by TRW.

KH-12 satellites are said to have a better resolution than their predecessors and also to be able to "see" in the dark using advanced infra-red sensors.

Mr John Pike, associate administrator for space policy at the Washington-based Federation of American Scientists, disagreed about the likely identity of the payload.

He said he thought it was a new type of surveillance satellite, code-named Lacrosse, which, rather than take photographs of objects on the Earth, fires radar waves at them and gathers the reflections. This method can be used to build up extremely detailed radar "pictures".

One of the jobs of Lacrosse, which could be expected to fly in an orbit some 3,000 miles above the Earth, would be to collect information about possible military targets in the USSR.

A third possibility, so observers believe, is that the mystery payload is neither Lacrosse nor a KH-12 but a third type of vehicle belonging to the Magnum series. The job of Magnum is to act as a listening post in the sky, picking up electronic signals that might divulge secrets related to the military activities of the Soviet Union and other countries.

Compared to unmanned, expendable rockets such as the Titan and Atlas-Centaur, the shuttle fleet has some advantages to operators of military satellites because a crew can intervene to correct any minor defects involving these payloads before they are ejected from a shuttle's payload bay.

Furthermore, a shuttle can lift into an orbit some 200 miles above the Earth a payload of roughly 20 tonnes, far in excess of the capability of conventional expendable rockets used by the Pentagon such as the Titan and Atlas-Centaur.

Against this, however, is the military establishment's growing disenchantment with the space-shuttle fleet due to its lack of reliability — as was starkly manifested by the Challenger accident — and high cost.

According to Professor John Logsdon, a space policy expert at George Washington University, the large numbers of military-related shuttle flights over the next two years are due to the past interest by the military in the shuttles' capabilities. The number of Defence Department missions would fall off rapidly into the 1990s, said Prof Logsdon, as it started to launch more of its satellites using conventional rockets like the Titan.

US incomes rise 1.8% in October

US PERSONAL incomes rose 1.8 per cent in October, boosted by heavy subsidy payments which raised farm incomes by more than 75 per cent, and large production bonuses to car workers, writes Anthony Harris in Washington.

The Commerce Department said the higher incomes helped boost the savings rate to 5.25 per cent, the highest figure since the 5.4 per cent one year ago, in the wake of the stock market crash.

Consumer spending remained subdued, rising by 0.3 per cent in real terms over September, which had shown a 0.4 per cent fall from the August figure. In money terms spending rose by 0.8 per cent; the implied rise in consumer prices was 0.5 per cent — an annual rate of 6.2 per cent — for the second successive month.

Alfonsin and Sarney step closer to common market

By Gary Mead in Buenos Aires

PRESIDENTS Raul Alfonsin of Argentina and Jose Sarney of Brazil have signed further accords aimed at achieving a common market between the two countries by 1998. They also signed the "Ezeiza Declaration", reaffirming their intention to work together on nuclear energy development.

The two have already agreed to co-operate in high technology, preferential treatment in farm and industrial spheres, improvement of energy and transport links, and to balancing trade so that neither would become a specialised producer of goods for the other.

They have now agreed to remove all tariff and non-tariff barriers over the next ten years and to set up a joint Government committee to oversee harmonisation of economic policies. The agreements have to be approved by the congresses of both countries.

The agreement, which continues moves to create a Latin American common market, is of particular interest to Argentina as it has a trade deficit with Brazil of $400m. To help redress this the accord promises a gas pipeline to Brazil to supply 3m cu metres of natural gas a year.

On nuclear energy, the two countries will continue to exchange research and information, with a view to promoting their capacity to develop their nuclear abilities. President Sarney yesterday visited Argentina's secret nuclear enrichment plant at Ezeiza, 20 miles from Buenos Aires.

MONTREAL TRADE TALKS

Peter Montagnon and William Dullforce examine the main issues facing ministers at next week's mid-term review of the Uruguay Round

Brinkmanship throws the outcome into question

THE hundred or so trade ministers due to meet in Montreal next week for their mid-term review of the Uruguay Round of multilateral trade liberalisation have until 6pm on Friday to keep the spirit of liberal trade alive.

By that deadline removal men are due to move into the city's lavish congress centre and turn it into a discotheque for an altogether different kind of meeting. At that point, agreement or no agreement, the ministers will have to leave.

By then, the decisions they have taken, or failed to take, will have signalled to the world whether the review has succeeded in its basic objective of shoring up the multilateral trading system by giving a fresh political impetus to the Round itself.

If there is one thing, however, on which most participants are agreed in advance, it is that the spirit of brinkmanship which has characterised preparatory talks over the past few weeks makes next Friday's outcome very difficult to call. Above all, there is little sign of a compromise between the US and the EC on farm reform which is now widely regarded as the key to progress on other fronts as well.

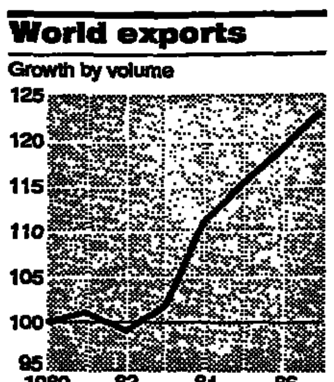
The Montreal meeting comes at the half-way stage of the Uruguay Round which was launched in Punta del Este, Uruguay, in September 1986. The Round itself is widely billed as the most ambitious undertaken since the foundation of the General Agreement on *Tariffs and Trade (Gatt)* 41 years ago.

Not only does it aim, for the first time, to subject agriculture and textiles to basic Gatt prescriptions; a range of new issues such as trade in services, intellectual property rights, and trade-related investment measures have been added to the agenda; and, for the first time, developing countries are being expected to play a significant role in what, until now, has been largely an affair for industrial nations.

But for many, the importance of the Round in general, and of the Montreal meeting in particular, is that it comes against the backdrop of ominous strains in the trading system despite two years in which world exports have grown in volume by a respectable 5 per cent or so. It is also being concerned amid increasingly loud complaints from developing countries that, once again, their aspirations are being ignored.

The new US trade legislation and its bilateral pact with Canada, worries about the tough stand likely to be taken by the new US Congress on trade and the budget deficit, Europe's ambivalence about its trade policy after 1992, its insistence on reciprocity and its tough new anti-dumping rules, Japan's continuing export surplus and its reluctance to open its market to imports of rice; these have all combined to undermine confidence in the commitment of the main trading powers to the maintenance of a liberal trading system.

Montreal offers the political leaders of Gatt an opportunity to renew that commitment in a convincing way, and publicly *to disavow protectionism and* regionalism that could fragment the system. But even as they prepare to head for Canada, ministers know some daunting hurdles lie ahead.



By the standards of previous rounds, the Uruguay Round has achieved considerable technical progress at its halfway stage, but much substantial work remains. Key points are examined in the articles below.

Admittedly, almost no agreements have been reached in the truly sensitive areas such as *how to deal with dumping*, subsidies which distort trade, textiles and ways of preventing the proliferation of measures like voluntary export restraints, which fall into the twilight zone between legality and illegality under international rules. These will have to wait for the second half of the round.

Within potential reach, however, are some substantive accords that would enhance the functioning of Gatt, improve its dispute settlement mechanism and, possibly, improve the access of developing country tropical products to the rich markets of the North. Taken together with a compromise on agriculture that would unlock the door to meaningful negotiation on farm reform, these could be presented as a reasonable success.

Getting to that point in four or five days' talks in Montreal begs a number of questions, however, not least important of which is the sheer workload involved. The nearly 90 pages of documents submitted for ministerial consideration in Montreal are spattered with *points of difference which they* have to reconcile. The 12-page document on trade services alone contains 130 such points.

Then comes the vexatious task of unravelling a spider's web of interlinkages spun between the 15 different negotiating subjects by countries manoeuvring for tactical advantage.

Worried that they are being asked to give up rights without being promised anything in return by way of better access to industrial markets, developing countries, whose support is needed for a worthwhile result, are resisting many of the new issues. They have put in balk the talks on intellectual property rights, in which the US in particular but also the European Community and Japan are most keen to obtain a global agreement.

Threads run from here to the talks on textiles and clothing which in turn have been tied to discussions on tariff cuts. In the preparatory talks for Montreal the developing countries have been unexpectedly firm in pressing for a commitment by ministers to dismantle the Multi-Fibre Arrangement, which currently governs trade in textiles.

The US has linked an agreement that would open up industrial markets for Third World tropical products to progress on agriculture. Some negotiators claim to see a US-spun thread between tropical products and intellectual property.

Unravelling all these strands may require some courageous political decisions in Montreal from developing and industrial countries alike. *Wary of the* risk of failure, some trade officials have recently begun to *warn of the dangers of exces*sive expectations. The mid-term review, they say, is what *its name implies, a review and* not a make-or-break decision-making process.

Yet with old international tensions – over Airbus subsidies, Japanese semiconductors and component dumping – unresolved, and new ones over hormones in meat and local content in cars and photocopiers already on the boil between the main trading powers, the world outside the cloistered confines of Gatt is now looking for evidence of much stronger leadership.

In the final analysis participants acknowledge that the stakes are too high to let the Uruguay Round grind to a halt or die a lingering death. Somehow the ministers have to try to ensure that their final communique is not so empty and meaningless that it disappoints those banking on an expanded and resurgent multilateral trading system to counter the creeping spread of protectionism.

Here, once again, agriculture comes to the fore. More than anything else it has grown to symbolise the conflict between national political interest and the need for sacrifice for the greater good. *No one expects a* detailed agreement on world farm reform.

Signs of progress on yardsticks for liberalising services

GETTING to grips with the rapid growth of international trade in services is widely recognised as one of the most ambitious and important objectives of the Uruguay Round. The degree to which that ambition can be fulfilled now seems likely to be carried right up to the line in Montreal.

The services issue was forced on to the agenda by the US with the strong backing of its own business community which wanted a lever to force open developing country markets to its own service industries. Supporters of the move, which would affect hitherto uncovered sectors such as banking, insurance and tele*communications, also argued* that a mandate to deal with services trade was essential if Gatt was to adapt to the realities of the modern trading system.

Yet the sheer complexity of meshing traditional policy yardsticks for trade in goods to the amorphous markets in services, coupled with lingering *hostility to the idea on the part* of developing countries such as India and Brazil, also provoked general scepticism about the US goal of reaching a framework agreement in Montreal on the principles which should apply to liberalisation of trade in services.

After a *tense* round of late night negotiations in Geneva *last week, however, negotiators* feel they have come far closer to the stage where serious bargaining could begin than most previously dreamed possible.

What they have produced is a draft accord of baffling complexity containing no fewer than 130 points of difference which ministers would need to reconcile to complete. The risk now is that the ministers will simply find themselves *unequal to the struggle* and consign the work to oblivion. The opportunity is to find a way of using *the draft to push* the negotiation forward over the next two years.

Trade *diplomats* say *that* the key point about the document is that it covers all the issues that would need to be included in a framework agreement on liberalising services even though it offers no answers as to how they should be incorporated into a final accord.

The fact that all the issues are now defined – a difficult process given that negotiators started from scratch two years ago – and officially on the agenda *has meant*, however, that ministers will have a document before them in which, for the first time, *everybody* feels they have a stake.

In particular, the document covers many of the developmental compatibility issues that have bedevilled the talks so far because of the US reluctance to take them on board. This does not mean that the US has agreed to make concessions to developing countries as part an eventual agreement, but it does mean that several *issues such as access to mod*ern technology and preferential access to developed country markets for developing countries are now a legitimate part of the negotiating agenda.

Finding a way out of the services maze in Montreal could depend heavily on progress in other areas of the talks such as *agriculture. Only through such* a process of give-and-take will it become clear how many of the 130 points of difference are tactical and how many represent fundamental objections on the part of one or more participants.

The more optimistic believe, however, that progress made so far may permit the assembled *ministers at least to* endorse the document as the basis for genuine future negotiation, thereby giving this part of the talks some fresh political impetus. Then, over the next two years, a basic framework for liberalising trade in services could finally begin to take shape.

Little progress is meanwhile *expected in Montreal in the* separate area of trade-related investment measures.

Though most participants are agreed that investment rules such as local content and export performance requirements do distort trade, there is as yet almost no agreement on how to subject investment to Gatt rules. Developing countries remain reluctant to see their sovereignty on investment policy whittled away in such a way that could *give* what they perceive as carte-blanche to multi-national cor*porations*.

As a result ministers are expected to do little more than urge negotiators to keep talking, though such a flat result has assumed a certain irony because of the way in which local content has recently surfaced as an issue between developed countries, for example in the European argument about Nissan cars produced in the UK.

Though they acknowledge that progress in this area has been very slow, some trade diplomats also agree that local content and other investment related measures could become one of the thorniest practical problems with which they will have to deal in the next few years.

Tropical products in the balance

TROPICAL products are an item on which it is imperative that trade ministers produce a result at Montreal. Failure here would convince the developing countries that their interests are being disregarded.

Negotiators are at the point of presenting the ministers with a deal which could come into force in January, thereby fulfilling the ministers' pledge that this item should receive special attention in the Uruguay Round.

A question mark hovers over US insistence on linking concessions *on* agricultural tropical products with progress in the agricultural talks.

***The Americans have hinted* that they can be flexible on this point in Montreal. But what if the agricultural talks break down completely?**

There would then be a danger that a potential agreement on tropical products could dis*appear in the subsequent dis*order.

Some 80 per cent of all tropical products originate in developing countries. They have been trying in Gatt for more than 20 years to secure freer access for their exports to the markets of industrialised nations.

Under discussion are seven *categories of products, ranging* from coffee, cocoa and tea through spices, oilseeds and *vegetable oils* to tobacco, rice, tropical fruits and nuts, rubber, jute, hard fibres and tropical woods.

Worldwide trade amounts to nearly $60bn. The result at Montreal will not reach the "fullest liberalisation" set as the *objective* for the Round but it should go a considerable way down this path.

***The European Community* has set an example by offering to abolish or cut tariffs and remove other restrictions on imports valued at some Ecu 20bn ($17bn) a year.**

Japan has made a similar, although less comprehensive offer. Both have made their offers conditional on other big trading countries, notably the *US, following suit.*

One difficulty is that EC concessions on tropical products have already been made. Now barriers must be lifted not only to raw materials but to semi-processed and processed goods, exposing industrial country manufacturers *to* stronger competition.

However, officials from the EC, Japan and about a dozen other countries started two weeks ago to assemble a list of tariff cuts and other concessions on which trade ministers could agree to act.

Negotiations on the list will continue in Montreal.

Agriculture the make-or-break issue amid dispute over goals for long-term reform

AGRICULTURE is the make-or-break issue for the Montreal meeting. The rub is whether US and European Community ministers can use the mid-term review to reconcile their totally different interpretations of the long-term objective for the reform of agricultural trade and preserve the credibility of the talks.

Agreement on short-term steps to freeze and to start cutting back the huge governmental support payments to farm production and exports is within reach.

But the US has made initiation of these steps next year conditional on the EC agreeing to negotiate over the next two years a programme for the complete elimination of trade-distorting supports. This is the so-called zero approach.

Community agricultural ministers agreed at their last meeting that they would continue to refuse this commitment. The EC is willing to negotiate a "significant" long-term reduction in support but cannot contemplate abandoning entirely its subsidies to agriculture.

The EC argues that abolishing farm supports would have a far harsher impact and more profound political implications on a Community with 11m farmers than on the US, which has only 2.5m farmers.

Brussels contends that, given the volatility of commodity markets, the zero approach is nonsense. It would call for *the dismantling* of one of the cornerstones of the Community, its Common Agricultural Policy (CAP).

Mr Clayton Yeutter, the US Trade Representative, stigmatised the CAP last month as "the single most important barrier" to US exports.

The conflict between the two biggest farm-trading powers forms only one facet of the complex multilateral talks on farm trade but it is the essential issue at the half-way stage.


Clayton Yeutter, who sees the EC's Common Agricultural Policy as a barrier to imports from the US

Washington, the initiator of the talks, has managed to convince the other countries that a global farm regime swallowing more than $200bn a year of taxpayers' money in the industrialised countries is ripe for reform. But it has failed to impose its remedy.

The original US proposal called for the phasing out of all production and export subsidies in 10 years. The latest version stipulates action "within an agreed upon period of time". Nevertheless, it still *demands* that at Montreal ministers undertake to negotiate before the end of 1990 schedules for:

- Eliminating all import barriers by converting non-tariff obstacles such as quotas and levies into fixed customs duties which would be reduced and ultimately abolished.
- Eliminating all direct and indirect subsidies that affect trade. Exceptions would be made for direct income support to farmers not linked to production and for food aid to poor countries.

Once ministers had agreed to negotiate these reforms, the US says it would be willing to accept *a freeze on supports*, subsidies and protection for farmers during 1989 and 1990.

The EC starts from the other end. It asks ministers to begin by agreeing to short-term measures that would improve the world market situation in specific commodities – cereals, dairy products, meat, rice, sugar, oils and fats.

Action would initially freeze supports at the levels reached in 1984. These would then be cut by a percentage to be negotiated to lower maximum levels in 1990.

The 12 EC states have had difficulty in agreeing among themselves on an approach in Montreal to long-term reform. The British and the Dutch would have gone further to meet the Americans.

However, the agreed position is that the Community can envisage negotiations on a "*concerted and significant reduction*" in support. The reduction would have to be accompanied by measures to reduce existing imbalances between countries' support systems.

The Cairns group of 13 farm-exporting nations, which includes Argentina, Australia, Canada, Indonesia, New Zealand and Thailand, broadly backs the US long-term objectives but proposes a transitional schedule.

This would start with a freeze, followed by 10 per cent annual cuts in production supports in 1989 and 1990. Negotiators would work out a system for further regular annual reductions, to arrive eventually at completely free trade in farm products.

Japan favours action against export subsidies but is concerned about pressure to open its rice market to imports.

In an understanding with the Reagan administration, which has just rejected a petition from US rice growers for retaliatory action against Japan under unfair trading legislation, Tokyo will effectively put rice on the table in the Uruguay Round talks.

Its negotiators have been trying with little success so far to implant in the talks a concept of "basic foodstuffs" which would qualify for special treatment. In November President Reagan said the US was ready to talk about "food security" in Montreal.

However, ministers are unlikely to devote much time either to Japan's rice problem or to the increasingly insistent reminders from developing countries that they have interests at stake in the farm talks.

They have to find some way of breaking the deadlock between the US and the EC over the long-term goal for the reform of agricultural trade.

Little room for further cuts in tariffs

NEGOTIATING tariff reductions has always been one of the tasks that Gatt does best. Average tariffs applied by industrial countries on their imports are now only around 5 per cent compared with some 40 per cent when Gatt was born in 1947, and most people agree that thanks for this are due to cuts negotiated during successive Gatt rounds.

Rather to the surprise of many participants, however, the tariff aspects of the Uruguay Round have proved unusually difficult, and only modest progress is now expected at Montreal.

The problems facing negotiators are basically threefold.

- Given the success of previous tariff-cutting rounds, the high tariffs that are left in the industrial world are basically those on politically *sensitive* products such as textiles which are difficult to cut.
- In parts of the industrial and developing world there are still many tariffs, for example on farm products, which are not "bound" in Gatt parlance (which means fixed with a commitment that they shall not be increased). Most participants are agreed that the proportion of bound tariffs should increase but there are differences over the degree to which this should be compulsory.
- Finally there is a determination on the part of industrial countries that, *this time, both* cuts and bindings should apply to developing countries which have received *special lenience* in the past. But these nations are concerned about making such concessions without securing in return better access for their products to developed country markets. Failure to come to terms with these problems means negotiators are going to Montreal with little to propose except that negotiations begin in earnest in July next year and that ministers might try to agree a firm target for tariff cuts.

Three suggestions on the table are a figure of 40 per cent, or an amount at least *comparable* to that achieved in previous negotiations, or to that achieved in the last Tokyo round which was one-third.

In the background is a disagreement between the US and the EC about how the cuts should be achieved. The US wants a request/offer negotiation which would allow it to continue to protect sensitive industries like textiles. The EC wants a fixed formula like that used in the Tokyo Round which would cover every single tariff.

Even if an overall target for cuts is set there is unlikely to be agreement on how to achieve it.

Intellectual property talks stalled

ONE OF the most severe tests for the trade ministers at Montreal is to unblock the talks on intellectual property rights (IPR). They are stalled by an *eyeball-to-eyeball confrontation* between the US and an increasingly numerous Third World group over the legitimacy of incorporating IPR matters into Gatt and over the scope of any eventual deal.

Ministers have four reports before them. Those from the US and Brazil set out extreme opposing positions. The more moderate proposals for a Gatt IPR agreement tabled by Switzerland and the chairman of the negotiating group do not bridge the gap, so ministers have no easy way out.

The Reagan administration, urged on by its pharmaceutical and informatic industries and with general though not all-out backing from the European Community and Japan, has been pressing for an ambitious multilateral accord protecting copyrights, patents, trademarks and trade secrets.

It wants to give Gatt the teeth to enforce the agreement and a mechanism for settling disputes.

The US case is that the activities of counterfeiters, patent pirates and copyright infringers, compounded by inadequate national legislation, both inflict massive losses on its own and other countries' enterprises and impede free trade.

Worldwide losses for US industry in 1986 ranged between $43bn and $61bn, according to a US International Trade Commission computation.

A report to the European Parliament estimated that counterfeiting cost the EC 100,000 jobs. It put the losses of British publishers from copyright infringements at £130m a year.

Developing countries do not deny the need for reform. But, they say, it should be effected in the international organisations already handling such matters, primarily the World Intellectual Property Organisation (Wipo).

A Gatt IPR regime would endow the companies of the industrialised nations with monopoly rights of a kind their countries ignored in their own development, developing countries argue. Such a system would inhibit the transfer of technology to the Third World.

Finally, Brazil and India claim the US is carrying the IPR talks far beyond the scope of the mandate given by ministers when the Uruguay Round was launched in 1986. This, they contend, called for action only against counterfeiting.

Washington regards the argument as spurious, arguing that the mandate does not specifically forbid negotiations on other IPR matters. The US dismisses Wipo as an ineffective organisation, slow at improving IPR standards and incapable of enforcing rules.

The climate in the Gatt IPR talks has become acerbic in the run-up to Montreal. The US has threatened to revert to unilateral trade sanctions of the kind it has just taken against Brazil over pharmaceutical patent rights if the ministers do not instruct negotiators to work for an agreement that would set "substantive IPR standards" and provide for enforcement.

Continued stonewalling over the meaning of the mandate is the worst scenario for Montreal. *The hope is that* ministers will devise a formula which will remove the block against serious negotiation of a Gatt agreement while allowing each side to stick to its principles.

It would be understood that each country would decide at the end of the Round whether to join the agreement.

Ministers prepare to tighten disputes mechanism


Arthur Dunkel: question of Gatt's wider role

A NEW system of monitoring Gatt member countries' trade policies and improvements to its dispute settlement system could come into operation next year, if ministers accept proposals submitted to them by their negotiators in advance of the Montreal *meeting*.

Progress on these so-called procedural issues was always regarded as *one of* the most hopeful aspects of the Montreal meeting, because they are widely considered as less controversial than the more contentious issues such as agriculture.

Though easily overlooked because of their apparently administrative nature, trade diplomats believe that decisions taken in this area in Montreal could lead to a significant enhancement of Gatt's authority as an institution. "We shall certainly have a stronger Gatt," said one European official.

The most radical innovation, on which negotiators are now basically agreed, would be the introduction of regular reports by the Gatt secretariat *on the trade policies of its* member countries. The four most important trading powers – the US, EC, Japan *and Canada* – would be examined every two years, middle-sized powers such as India every four years, and the remaining membership every six years.

The US has already informally signalled *its willingness* to be the first candidate for examination and the necessary funding has already been allocated to Gatt's 1989 budget. This, and subsequent reports on other countries, will involve an appraisal of the general thrust of national trade policy which would be both discussed in the Gatt council and published.

Trade experts believe that the publicity effect should act as a check on protectionist tendencies around the world, making it harder for member countries to adopt protectionist policies through so-called grey area measures which evade the spirit of the Gatt if not its letter.

Gatt's political standing should be further enhanced by a plan for trade ministers to attend its annual meeting once every two years. Ahead of Montreal, disagreement continues on a suggestion for a smaller steering group of ministers to be established on a more permanent basis.

In the same way Gatt has not proceeded far with a proposal going back to the original Punta del Este mandate for closer co-operation with the International Monetary Fund and World Bank. This partly reflects nervousness on the part of developing countries that Gatt would be used to back up what they see as unpalatable IMF medicine but it is also a bone of contention in Geneva after this year's Berlin meetings of the two organisations devoted much time to trade but made no room for Gatt participation.

However, one assumption is that the greater international standing of Gatt through its new surveillance role and enhanced ministerial involvement might lead naturally to the development of greater co-operation with other Bretton Woods institutions. Meanwhile Mr Arthur Dunkel, Gatt Director-General, may simply be asked to produce a report on the question during next year.

Providing ministers can agree on one or two remaining technical issues, they are also likely in Montreal to endorse a plan for Gatt's dispute settlement procedures to be tightened under new arrangements scheduled to enter force on a trial basis from January.

This would be an attempt to respond to criticism, particularly from businessmen in the US, that its dispute settlement mechanism is cumbersome, time consuming and ineffective. The perceived inadequacy of Gatt in this area is often cited as a reason why countries are tempted to bypass it and strike bilateral arrangements with trading partners.

The present proposals call for strict time limits for each of the various stages of the dispute process: bilateral negotiations between disputing parties, the establishment of a Gatt panel to review the complaint, and completion of the panel's work.

Other innovations include an option of binding arbitration as an alternative means of settling a dispute and the possibility for a single panel to handle complaints on the same subject from several different members.

Where the proposals are not fully agreed, however, is on the degree to which the defendant in a complaint can act to block the findings. For some countries this would be a potentially serious concession, even though in practice no panel findings have been blocked since the Uruguay Round started.

There seems little chance that this problem will be ironed out in Montreal but trade diplomats say it should not prevent the rest of the changes coming into force from January 1, creating a much tighter dispute settlement procedure.

WORLD TRADE NEWS

Yeutter hits at trade in services document

By Nancy Dunne in Washington

MR Clayton Yeutter, the US Trade Representative, yesterday criticised the final document produced by negotiators in Geneva for talks on trade in services as part of next week's mid-term review in Montreal of the current international trade round.

"It is the worst document I've ever seen to come to a ministerial meeting," he declared.

"There is almost no language that is unbracketed and in some cases there are two or three or four sets of brackets." Brackets are used by negotiators to indicate disagreement on wording.

Documents are being presented by the 15 negotiating groups on issues being addressed in the current round of talks within the General Agreement on Tariffs and Trade.

Mr Yeutter stressed the necessity of agreeing on procedures for discussions on trade in services in the final two years of the negotiations.

"We have a significant task ahead of us," he said.

The US side had been misrepresented in Europe. "We have never said all agriculture subsidies must go," Mr Yeutter declared. "Agriculture-*distorting* subsidies must go."

David Buchan adds from Brussels: The EC will make a bid for Third World support in next week's high-level Gatt trade talks in Montreal by tabling what a senior Brussels trade negotiator yesterday termed an "avant-garde" proposal to ease import duties and quotas on tropical products.

Mr Willy De Clercq, the EC external affairs commissioner, warned that tropical products were "a test of goodwill" for developing countries. The latter could obstruct progress in the trade talks unless given concessions by industrialised countries.

The EC is ready to cut or eliminate excise and tariff duties on tropical imports by its 12 member-states, but will not detail its offer until it sees what other industrialised countries are prepared to put on the table at Montreal.

Ceasefire in battle over introduction of digital audio tapes

By Hugo Dixon

THE consumer electronics and recording industries have reached a ceasefire in their long-running battle over the introduction of digital audio tape, the next generation of recording technology.

At a meeting in London yesterday, representatives of international record companies and European and Japanese electronics manufacturers agreed to set up a working group to find a solution to the complex copyright issues which have plagued DAT since it was invented. This was the first high-level meeting between the two sides since a disastrous meeting two years ago in Vancouver, Canada.

Mr David Fine, president of Polygram UK, the record company, said there was now a willingness to solve the problem. He described yesterday's meeting as a "vast improvement on Vancouver".

The high quality of DAT, which can make almost perfect copies of equally high-quality compact discs, is the source of the dispute. Record companies have been afraid that consumers would make multiple copies from a single compact disc, leading to a substantial drop in their revenues.

They have therefore been boycotting the introduction of DAT machines by refusing to produce music that can be played on them until they can get satisfactory protection for their copyright. As a result, DAT machines have sold only in minuscule quantities.

The solution to the controversy is likely to centre on fitting DAT machines with a device that would prevent them from making more than one copy from a compact disc. The working group will also look at the possibility of DAT manufacturers paying record companies financial compensation.

Mr Fine refused to be drawn on how long it would take to produce a solution, except to say that the issue would be resolved "in the fullness of time".

Argentine telephone plan may reinforce monopoly

By Gary Mead in Buenos Aires

DETAILS of Argentina's plan to sell off 40 per cent of its state-owned telephone company, ENTel, to Spain's Telefonica have been leaked by one of the country's leading financial newspapers, El Cronista Comercial.

The report suggests that far from deregulating the national telephone network and opening it out to increased competition, the future merged corporation will reinforce ENTel's previously almost total monopoly.

According to the report, Telefonica will be granted a 25 year concession, during which it will merge with ENTel, and the newly-formed company be guaranteed exclusive rights over a wide range of telecommunication services.

These include not only installation and maintenance of telephone lines but also telex, fax, all data transmission facilities and exclusive control over public television signals.

Moreover, the contract would grant the new company the right to compete for any remaining telecommunications rights previously granted to other companies.

At the end of March this year, ENTel and Telefonica signed a letter of intent, in which Telefonica proposed an investment of $750m in return for a 40 per cent stake.

The deal – yet to be presented to Congress – has come under strong attack from opposition politicians, who argue it runs against a Constitutional bar prohibiting foreign private capital participating in nationalised industries.

Against such criticisms, Telefonica has unveiled a plan promising investment worth $4.22bn between 1989 and 1993.

Fokker revs up for a rising demand

The Dutch aircraft maker is planning a production boost, **Michael Donne** reports

FOKKER, *the Netherlands aircraft manufacturer*, is planning to increase production of both its current aircraft, the 109-seater Type 100 twin-engined jet airliner and the 50-seater Type 50 twin-engined turbo-propeller aircraft.

The company is just completing a financial reorganisation involving a three-for-two rights issue raising over Fl 320m (£89m), and the production boost will initially be centred on Schiphol, Amsterdam, where the aircraft are assembled. Fokker is also discussing with Lockheed Corporation the possibility of Lockheed assembling the Type 100 in the US by the early 1990s.

All these plans will bring additional business to UK aerospace companies, for both the Fokker 100 and 50 are international aircraft with substantial British and other foreign content.

The Fokker 100 uses the Rolls-Royce Tay turbo-fan jet engines and wings built by Short Brothers of Belfast, while the Fokker 50 uses Dowty Rotol propellers and landing gear, and both aircraft use much other UK-built equipment and components, including composite materials for cabin interiors from Ciba-Geigy.

The increased production is in response to rising demand for the two aircraft, which in turn is due to several factors.

The first is that earlier models of pressurised short-to-medium range jet and turbo-prop airliners (including the Fokker F-28 twin-jet and Fokker F-27 twin turbo-prop) are ageing, and demand for new models with lower noise levels, reduced pollutant emissions and improved fuel consumption is increasing.

The second main reason is the change in the pattern of demand for such types of aircraft. World-wide, there is an accelerating trend to deregulation and liberalisation, which in turn is resulting in increased "hub and spoke" operations from smaller regional airports both in North America and Western Europe.

At the same time, there is a parallel development of many direct new routes between smaller towns and cities, to meet a demand from an emerging generation of "commuter" air travellers, demanding cheaper fares and in turn calling for smaller, more economic aircraft.

The net effect is to create a likely demand over the next 15 years for around 1,500 airliners in the small twin-engined 100-seater jetliner category, of which Fokker believes it can win about 30 per cent, or around 500 aircraft, with its Type 100.

But the competition is formidable. Fokker is one of only five jet airliner manufacturers in the world, the others being British Aerospace, Airbus in Western Europe, and Boeing and McDonnell-Douglas in the US. Three of these have direct competitors for the Fokker 100 – the British Aerospace 146 four-engined regional jetliner, the US Boeing 737-500 and the McDonnell Douglas MD-87.

Rolls-Royce is to help the Spanish aero-engine industry share in developing the EJ-200 engine for the new European Fighter Aircraft through a new company, Sociedad Espanola de Motores, in which Rolls-Royce will have a 45 per cent stake and Spanish companies 55 per cent, Michael Donne reports.

The EJ-200 is to be built by a European consortium, Eurojet Turbo, in which the UK and West Germany each have 33 per cent, Italy 21 per cent and Spain 13 per cent.

Other competitive possibilities now emerging are from re-engined DC-9s and British One-11s (also using Rolls-Royce Tay engines), while on the longer-term horizon lies the revolutionary fuel-efficient prop-fan MD-91 and MD-92 airliners now being developed by McDonnell-Douglas and General Electric of the US.

Current orders for the Fokker 100 stand at 118 aircraft firm with another 88 on option, *a total of 206. From deliveries* of only 14 aircraft in 1988, production in 1989 will amount to 33 aircraft, rising to 39 in 1990 and 46 in 1991, the maximum achievable with present assembly facilities.

But further increases to up to 60-70 aircraft a year are possible with additional facilities, including another final assembly line, requiring new investment of some Fl 250m (£70m).

Production in the US would also help to achieve this total, depending on the volume of new orders for the aircraft emerging from the US market in the 1990s. The talks with Lockheed are not yet completed, but both sides are confident of an ultimate agreement.

Fokker is not only expanding production of the Type 100, however, but is also contemplating a family of types, including both a smaller model with a reduced fuselage, and a stretched version with an extended fuselage, along with a combination passenger and cargo model (a "combi").

This expansion plan will be materially enhanced by the decision of Rolls-Royce to offer a higher-powered version of the Tay engine, the model 670, with thrust of up to 18,000 lbs.

Competition in the market for twin-engined turbo-propeller airliners is also increasing. Fokker foresees a world demand for some 1,200 aircraft in this category

Ranged against the Fokker 50 are the *Franco-Italian* ATR-42 and ATR-72, the British Aerospace Advanced Turbo-prop (ATP) and the Boeing/de Havilland Canada Dash 8 Series 300, all twin turbo-prop airliners.

Orders for the Fokker 50 stand at 93 firm and 29 on option, a total of 122. Initial production was 24 aircraft a year, but the current rate is 30 a year, and it is being raised to 33 a year. Potential maximum production on the present assembly line is 39 aircraft a year, and to go beyond that will also need additional facilities. There are at present no plans for US production of this aircraft.

Fokker is also considering a family of variants for the Type 50, including a stretched model, a military variant and a combination passenger/cargo version.

The cash for these ambitious plans will come from the company's capital reconstruction undertaken over recent months. This reconstruction not only reflects the higher level of activity within the company, but also enables the Dutch Government to increase its stake in the Fokker equity to more than 32 per cent.

As the prospectus for the recent three-for-two rights issue pointed out, with an order book valued at end-October at Fl 6.2bn (£1.73bn), the increases in production now planned are unprecedented in Fokker's history.

Shipping lines call on Brussels for protection

By William Dawkins in Brussels

EUROPEAN shipping lines yesterday called on Brussels to give them extra protection against mounting competition from low-cost Asian and Eastern bloc competition.

A report by the European federation of shipowners (Caasc) asks the Brussels authorities to set common rules on tax incentives for shipping lines and to hasten plans, being considered in the Commission, for an EC flag.

Caasc calls for shipowners in all member-states to be permitted to write down the cost of acquiring vessels against tax, for tax exemptions for a proportion of profits and for a general cut in tax rates on profits from international shipping.

It also asks for cuts in employers' tax and national insurance contributions and exemption from income tax for crews while at sea.

Such measures are essential to halt the EC fleet's declining share of world shipping in the face of persistent surplus tonnage and price undercutting from subsidised Eastern bloc and Far Eastern lines, the federation argues.

It estimates the EC's share of world tonnage has almost halved from 31 per cent in 1978 to 16 per cent at the end of 1987.

Ferranti aims to share in Nato systems order

AERITALIA of Italy, Ferranti International Signal of Britain and General Electric of the US have agreed they would work together to develop a military intelligence system designed to meet Nato requirements in the 1990s, Reuter reports from Rome.

Mr Philip Burton, Ferranti general manager, said Nato would invite bids soon to develop its new Battlefield Information Collection and Exploitation Systems (BICES), to integrate military intelligence throughout the alliance.

The group would complete a pilot study draft in 1989 and present its first BICES bid to Nato in 1990, he added.

Franco-US partnership in Japan air engine deal

By Stefan Wagstyl in Tokyo

CFM INTERNATIONAL, a Franco-American partnership, has beaten International Aero Engines, a five-nation consortium including Britain, to a Y30bn (£135m) jet engine contract for All Nippon Airways, the Japanese airline.

All Nippon said yesterday it preferred the CFM56-5 engine to the V2500 developed by International Aero Engines, a group which includes Rolls-Royce, the British engineering group.

It is buying 20 engines for a new fleet of Airbus Industrie A320-200 aircraft due to go into service from 1990. The decision has sent shock waves through the Japanese aviation industry and the Ministry of International Trade and Industry, which has put Y50bn of subsidies into the V2500 project.

Three Japanese engineering companies – Ishikawajima Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries – together have a 23 per cent interest in the V2500.

All Nippon said it chose the engine developed by CFM – a partnership of General Electric of the US and Snecma of France – because it had been in service longer than the V2500.

EUROPEAN NEWS

Support for Soviet constitutional changes still in doubt

By Quentin Peel in Moscow

DEPUTIES of the Supreme Soviet of the USSR were last night negotiating final amendments to the constitutional reforms proposed by Mr Mikhail Gorbachev after renewed calls to make them more democratic.

There was continued uncertainty over whether the changes would be enough to prevent a revolt by deputies from up to five republics, but the Soviet leadership appeared keen to ensure the widest possible support.

The majority of deputies speaking in the debate yesterday pledged strong support for the reforms, which are intended to create a new super-parliament, above the Supreme Soviet, and bring more democracy to Soviet elections.

But many also revealed strong feelings from public meetings and a flood of letters around the country, seeking more democracy in the system.

The most independent line continues to be taken by Estonia, the smallest republic of all in the Union, in spite of being roundly attacked by the majority of Soviet delegates for threatening the very foundations of the Soviet state.

Mr Arnold Ruutel, president of the presidium of the Estonian Supreme Soviet, admitted that changes in the draft proposals had incorporated "many amendments with which we agree," but he still demanded the right for his republic to adopt different rules from the USSR itself.

Promising the firm support and enthusiasm of the republic for the whole reform process, he said that Estonia opposed the idea of creating a new Congress of People's Deputies in the republic, as in the USSR as a whole, and wanted instead to have a directly elected Supreme Soviet. The republic also wished to draft its own election laws, he said.

Although the proposed Congress would be directly elected, it would then itself indirectly elect the Supreme Soviet from among its members – a point which the Baltic republics in particular have criticised.

Academician Valentin Koptyug, president of the Siberian branch of the Soviet Academy of Sciences, accused the deputies in the Supreme Soviet of lagging behind the public debate on the constitution.

He said that many people in Novosibirsk argued in favour of direct elections to the future Supreme Soviet, and in favour of direct elections also for the future executive president. The latter is supposed to be elected by the Congress of Deputies according the the draft reform, and is confidently expected to be Mr Gorbachev.

"Our co-citizens want to participate personally and directly in the decision-making process," he said. It was also a reason for criticising plans to allocate one-third of the seats in the Congress to representatives of "public organisations" such as the Communist party and its affiliated trade unions.

Hints of nationalist dissatisfaction from non-Russian republics came not only from the five known dissidents – Armenia, Georgia, Latvia, Lithuania and Estonia – but also from loyal Moldavia. A delegate from the republic warned that heated discussions in the street were taking place on key questions like the promotion of national culture and the national language – and it was the next most urgent problem to tackle.

It now appears, however, that Mr Gorbachev may have introduced enough changes in the draft to ease the fears of at least some of the dissident republics. Both Armenian and Georgian representatives have suggested they are largely satisfied.

Eleven killed in Armenia as inter-ethnic violence spills over from Azerbaijan

ELEVEN PEOPLE were killed in Armenia over the past week in inter-ethnic violence spilling over from the neighbouring republic of Azerbaijan, the official Armenian news agency said yesterday, Reuter reports. The latest killings brought to 19 the known death toll in clashes between Azeris and Armenians which broke out last week in the Azerbaijani city of Kirovabad and the Nakhichevan region.

"According to information given to us by the military command, between November 22 and 29, 11 people were killed – 10 Azeris and one Armenian – in clashes between Armenian self-defence groups and Azeris," an Armenpress spokesman said.

The clashes in the Armenian towns of Kalinino, Goris and Stepanavan, had broken out after bands of Azeri men had taken to the hills to fight "a partisan war". The deaths included two reported earlier in Goris and Kalinino. Eight people, including three soldiers, died last week in Kirovabad after Azeri gangs began a series of attacks on the Armenian minority in the city.

A state of emergency and curfew is in force in many parts of Azerbaijan and the situation was reported this week to be gradually returning to normal. Officials in both republics say tens of thousands of refugees have been pouring across their borders in the wake of the violence, the latest unrest stemming from a long-standing dispute over the territory of Nagorno-Karabakh.

The Armenpress spokesman said at least 40,000 Armenian refugees from Azerbaijan had arrived in the republic's capital, Yerevan, where reception centres had been set up. They were being sent to various parts of the republic where they were being provided with temporary accommodation.

A spokesman for the official Armenian representation in Moscow said the authorities in Yerevan were expecting some 230,000 Armenian refugees from Azerbaijan. "It is another tragedy for our republic," he said.

The Azerbaijani President, Suleiman Tatliev, in Moscow for a special parliamentary session on political reform, told journalists on Tuesday that some 7,000 Azeris had fled Armenia in the past few days. Another Azerbaijani official said tens of thousands of refugees from Armenia and Nagorno-Karabakh were flooding into the Azerbaijani capital, Baku.

The Armenpress spokesman accused the Azerbaijani authorities of forcibly deporting Armenians. "They are being put on buses, just as they are, with no chance to get extra clothes or money, and driven to the border," he said, adding that the Armenians had provided buses to take them from the border to Yerevan.

He said a military helicopter had brought refugees from Kirovabad to Yerevan on Tuesday and a planeload of children had flown in from the Azerbaijani city yesterday. "It appears people are sending out their children, but staying to continue the struggle themselves," he said.

The ethnic hostility has spilled over into the parliamentary session in Moscow, where Armenian and Azerbaijani representatives accused each other's people of encouraging the bloodshed of the past week.

EC plan to cut noise by aircraft

By Tim Dickson in Brussels

THE NOISE level of jets taking off and landing at European airports should be turned down a little if a proposal for quieter aircraft put forward yesterday by the European Commission is adopted by member states.

The plan lays down that EC airlines from November 1, 1990 would not be allowed to lease or buy second-hand aircraft from outside the EC which did not meet the most up-to-date noise standards.

Community legislation already exists to exclude so called Group One aircraft (pre-1969 certification) so it is the Group Two category (certificate of airworthiness between 1969 and October 1977 and including several types of DC-9, Boeing 727, 737 and 747) which will be affected by the new rules.

A Commission spokesman stressed last night that the operation of these aircraft was not under attack as such, and that "for the time being older aircraft which do not meet the strictest standards will still be used and sold within the Community and outside".

The new proposals, under which aircraft of 34,000kg or less would be exempt, are seen as particularly significant in Brussels at a time when many airlines are thinking of updating their fleets.

Further international discussions on the operating conditions for Chapter 2 aircraft are due to take place next year. Given encouragement at this level the Commission is likely to push for tighter restrictions.

SUMMIT ON THE MOUNT: President Mitterrand and Mrs Thatcher pictured yesterday before their talks at Mont St Michel.

Former Montedison chief to head Italian state railways

By John Wyles in Rome

MR MARIO SCHIMBERNI, the former Montedison chairman with an international reputation for rebuilding ailing companies, yesterday took on one of the greatest managerial challenges of the decade by agreeing to run the Italian state railways.

His appointment as a special commissioner for the Ferrovie dello Stato (Fs) by the Italian cabinet yesterday is a somewhat unexpected and rather inspired response to last week's resignations, in the midst of a damaging scandal, of the president and board.

With the total public subsidy for the railways expected to reach L16,000bn (£6.8bn) this year, there is no other public or private company in Italy in greater need of the firm grip of a good management.

Mr Schimberni's initial efforts will be made as a temporary commissioner while the Government seeks to push through Parliament a law reforming the management structure of the Fs. It is thought that the former Montedison chairman will stay on as president after the new law is passed providing he has the political support he will need.

This was in plentiful supply yesterday, with all parties congratulating themselves on the brilliance of their choice, while the Government's two helmsmen, Prime Minister Ciriaco De Mita and Socialist party leader Bettino Craxi, were quietly claiming most credit.

Their much more politically difficult task now, however, is to agree a strategy for the Fs which sets some financial objectives and begins to thin down loss-making services.

The pressure to do so comes from the need to control and reduce the Government's budget deficit which currently takes the strain off an Fs balance sheet whose revenues cover only 25 per cent of costs.

For a senior manager such as Mr Schimberni to move from the private to the public sector is highly unusual in Italy, but by the time he was ousted as Montedison chairman late last year he had become too big for any private company he could not control.

At the Fs he will have a job of great national importance: its payroll of 215,000 is second only to that of Fiat, and, like Fiat at the beginning of this decade, it needs to shed around 50,000 workers to approach average European productivity levels for its industry.

Having taken over at Montedison in 1980, Mr Schimberni had succeeded by 1985 in ending a decade of accumulated losses of £1.6bn. During the same period he also turned Montedison into a fully private company through the sale of the Government's last shareholding.

But control was purchased at the end of 1986 by Mr Raul Gardini's Ferruzzi group. Montedison was not big enough for both men; Mr Gardini owned the shares and so Mr Schimberni moved out. After a period of relative anonymity, Mr Schimberni recently brought control of a small loss-making Rome publishing house, Curcio.

Finns to cut base rate next month

By Olli Virtanen in Helsinki

THE BANK of Finland yesterday decided to lower its base rate from January 1 by 0.5 percentage points to 7.5 per cent.

At the same time it is paving the way for further strengthening of the markka by widening the currency's self-imposed fluctuation limits against a basket of currencies from 4.5 per cent to 6 per cent.

The lowering of the base rate, decided yesterday by the central bank's parliamentary supervisory board, follows a promise by Mr Rolf Kullberg, the Governor, to contribute to the comprehensive economic stabilisation package agreed three months ago.

The package was designed by the Finance Ministry to keep nominal wage increases down while boosting real income through fiscal concessions.

The bank promised to smooth the passage of the package by the unprecedented announcement in September that the base rate would be lowered at the beginning of next year provided that all labour market groups adhered to it.

The Bank of Finland has come under strong pressure recently as several trade unions, including the powerful paper and construction workers, decided not to accept the package.

In its announcement yesterday, the bank warned that the base rate might have to be raised again "as early as next spring" if cost and wage developments did not decelerate clearly.

The base rate is mainly reference rate for housing loans and leasing rates.

It has lost much of its importance in Finland recently as market-priced rates dominate in corporate loans and also in credit to private individuals.

The central bank has said that if the base rate comes down, it may well have to be matched by raising the market rates by money market operations.

Poles likely to set 50 per cent inflation target for next year

By Christopher Bobinski in Warsaw

POLISH ECONOMIC policy next year is likely to concentrate on bringing down the rate of inflation to an annual 50 per cent from this year's 70 per cent level, while retaining state subsidies and a 6 per cent budget deficit, according to senior government officials.

There appears to be a growing consensus within the Government in favour of a more cautious approach. This year's attempt to bring demand more into line with supply not only provoked open industrial unrest but triggered continuing wages pressure.

The other alternative open to the Government is to go for an 80 per cent inflation rate next year thereby almost balancing the budget and bringing domestic prices within reach of world price levels in two years.

Both variants under consideration include higher energy prices, an end to petrol and coal rationing and a start to the lifting of meat rationing around the middle of the year.

The Government is also hoping to keep wages growth under control and maintain constant real incomes. The latter have been rising faster than prices by several percentage points.

The prices and incomes policy will be conducted against the background of a liberalisation in hard currency trade and the legalisation of the domestic hard currency black market, as well as an attempt to bring domestic interest rates more in line with inflation.

December should see a legislative marathon in Parliament, with the Government wanting to push through changes in banking and foreign currency regulations, a new foreign investment law, and simpler procedures for setting up state and private sector companies.

● Polish foreign debt figures for the first nine months of this year reveal total debt of $37bn at the end of September. Payments of capital and interest in this period amounted to $1.3bn.

The figures reveal that Poland was forced to reschedule $3.7bn worth of capital and interest falling due in this period. New credits raised amounted to a mere $185m.

New controls on irradiation of food proposed

By William Dawkins

CONTROLS ON the use of irradiation to sterilise food in the EC were adopted yesterday by the European Commission.

The proposal, which needs to be passed by a qualified majority of Community governments to come into effect, would make it illegal for member states to block imports of irradiated food which conform with EC-wide rules. It is expected to end a deadlock over a separate Commission proposal for EC rules on the labelling of irradiated food.

The scheme lays down maximum doses and specifies safe types of radiation. It calls for irradiation plants to be listed on an EC register, and says exporters to the Community must comply with the same rules.

Yesterday's proposal includes a list of products – mainly fresh tropical fruit, fish and poultry – where irradiation has been ruled safe and desirable by a panel of EC scientists.

A growing number of food processing companies are using x-ray, electron beam, and gamma radiation – which normally leave no traces in food – as a cleaner alternative to chemicals. "To remove uncertainty and ensure high standards across the Community, common rules are needed," said the Commission.

EC-wide alcohol limits for drivers proposed

By Tim Dickson in Brussels

COMMON EC limits for "drink driving" and new Community rules for driving licences are among the key elements of a package unveiled by the European Commission yesterday aimed at boosting road safety.

The proposals, described by Mr Stanley Clinton Davis, the Transport Commissioner, as "a major priority for Community transport policy," include roadworthiness tests for private cars, minimum tyre tread depths, and the compulsory provision of side guards for heavy goods vehicles. There are also controversial plans to impose tough speed limits on buses and lorries.

The most eye-catching idea, however, is the Commission's plan to try to cut the number of fatal accidents caused by excessive alcohol through a maximum EC rate of 0.5mg per ml of blood, to be introduced from 1993. This would tighten up the limit in most member states which currently apply 0.8mg per ml and "would take account of the susceptibility of young drivers or infrequent drivers whose faculties can be affected at such levels".

The proposal for driving licences – which like the others must first be approved by the Council of Ministers – would involve mutual recognition of permits between member states, subject to certain common standards, thereby replacing the current system whereby an EC citizen moving residence has to change his or her licence within a year.

The minimum driving age proposed for motorcycles and cars is 18, though member states would be free to apply a limit of 17 if they chose to.

Second inquiry launched into Tubemeuse subsidies

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday launched its second inquiry in the past two years into possibly illicit state subsidies for Tubemeuse, a loss-making Belgian steel tube producer.

At the same time it blocked an Italian government plan to inject L50bn (£19.2m) into Veneziana Vetro, the Venice-based flat glassmaker and gave the go-ahead for a Pta 3.3bn (£15.6m) state subsidy for a research programme at Standard Electrica, the Spanish electronics company.

Tubemeuse was receiving debt guarantees from the Wallonian regional government which had enabled it to sell assets at what appeared artificially high prices, said Commission officials. This was likely to give it unfair advantages over competitors in a market burdened with surplus capacity.

Brussels will decide whether to penalise Tubemeuse after receiving its comments. The Belgian company has already been ordered to repay BFr12bn (£194.8m) of illicit state subsidies.

Standard Electrica's government grant was given the green light on the grounds that it was linked to the final stages of a radical restructuring plan and would help to close the technology gap between Spain and the rest of the EC, said the Commission.

Koskotas affair may halt US bases talks

By Andriana Ierodiaconou in Athens

THE ARREST in the United States of Mr George Koskotas, the fugitive Greek banker and press baron, may lead Athens to suspend negotiations with Washington on the future of the four American bases in Greece.

Mr Koskotas fled Greece in early November after being accused of multi-million dollar fraud.

After a brief stay in Brazil he arrived last week in the US, where he was arrested.

Greek opposition parties have accused the Government of irregular dealings with the fugitive tycoon.

The link between the Koskotas case and the bases issue emerged during an analysis of the political crisis into which the affair has plunged Greece, delivered yesterday by Mr Andreas Papandreou, the Prime Minister, at a stormy meeting of Socialist party cadres.

According to the state radio, Mr Papandreou assured the gathering that he possessed incontrovertible evidence showing that the Koskotas affair was part of a plan to overthrow the Socialist Government.

He did not provide details of that evidence, however. At the same time he said that a temporary suspension of the US bases negotiations, for political reasons, was not to be ruled out.

The Prime Minister did not elaborate on these reasons. But his remarks fell into perfect line with scenarios advanced by pro-Government newspapers in recent days alleging that the Koskotas affair was a CIA plot to bring down the Government, and predicting that Athens would suspend the negotiations on the bases as a way of exerting pressure on the US to extradite Mr Koskotas.

The Socialists' bid to implicate the US, however, has so far gained little ground with public opinion, while it has been ridiculed by the opposition.

Meanwhile, yesterday's party meeting revealed intense internal dissent over Mr Papandreou's handling of the Koskotas crisis.

Senior party members are displeased with the fact that he has not removed ministers from the Government associated with the scandal.

Capacity use in West Germany highest since 1973

WEST GERMANY could not stimulate domestic demand any further to reduce its large trade surplus because the country's capacity utilisation had reached its limits, Mr Karl Otto Pöhl, the Bundesbank president, said yesterday, Reuter reports from Frankfurt.

In a radio interview with Westdeutsche Rundfunk, Mr Pöhl said utilisation has risen to the highest level since 1973.

"If we were to increase domestic demand further, we would inevitably get problems with inflation," he said. "One has to look for other possibilities" to deal with the trade surplus.

He did not specify what those other possibilities were.

Mr Pöhl predicted a new record trade surplus of DM120bn-DM130bn (£37.5bn-£40.5bn) for the year, up from DM117.6bn in 1987.

West Germany's present economic conditions were "nearly optimal, if I exclude the still unsolved problem of unemployment," he said.

"We haven't had such a high capacity utilisation since 1973, and we have nevertheless almost stable prices.

"I hope that this trend will continue in the foreseeable future," he added.

While West Germany still had to improve its international competitiveness, the massive trade surplus was a sign that the country was well capable of competing, he said.

The Bundesbank chief added that the recent rise in US interest rates, which fitted into the general economic situation, was not likely to have much impact on West German interest rates.

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Dubliners depressed under a descending curtain of smog

Ireland's clean and green image is threatened by the deteriorating condition of its environment, argues Kieran Cooke

ON many recent nights, a walk through Dublin has been like stepping back into Victorian times. A yellowish haze clouds the damp air. People appear out of the dim gloom, their faces covered with scarves. Sherlock Holmes and Jack the Ripper would feel at home.

Dublin, with a population of 920,000, has the worst smog of any capital in western Europe. The World Health Organisation says illnesses can be caused when the weight of smoke particles in the air exceeds 250 microgrammes per cubic metre. Readings of more than 800 microgrammes per cubic metre have been recorded lately in Dublin.

On one night last week the smog level in a Dublin suburb reached 1,350, the worst reading since records began 12 years ago. Traders shouting "Smog masks, 50 pence a go" have been making some quick money.

Dublin's smog is caused mainly by smoke from many thousands of coal burning home fires. Smog is particularly bad when there is what meteorologists call a temperature inversion, with cold and smoke filled air trapped by warm air above.

When oil prices were high in the 1970's, the Irish government encouraged people to switch to solid fuels, particularly coal and peat briquettes manufactured from Ireland's peat bogs.

The result, on many winter evenings, is a canopy of dense smog hanging over Dublin. Warnings are now broadcast to those with respiratory ailments to stay indoors. Hospitals have reported an increase in admissions of people with various bronchial complaints. Winter has only just begun but Dublin has already breached EEC regulations on accumulated annual smog levels.

A growing chorus of criticism has been levelled at what is seen as a negligent Irish Government, unconcerned about important environmental issues. London had a severe smog problem till the 1950's but air cleanliness levels have improved dramatically. In Belfast considerable sums of public money have been used in recent years to encourage houseowners to convert to smokeless and other fuels.

European Diary

Ireland

Critics say the Irish Government should at least ban smokey, butuminous coal at times when climatic conditions make smog likely. It should also make more funds available for fuel conversions and encourage the use of smokeless fuels by offering public subsidies.

But these are tough economic times in Ireland. The Government's determination to tackle a national debt of Punt 26bn ($40bn) has meant a series of tough public spending cutbacks. Dublin Corporation, the body which runs the city, is likely to have its budget cut by 10 per cent in the coming year. In addition, the coal importing companies have previously lobbied successfully against any ban on the use of hard fuels.

The Government has now introduced a smoke control zone in one of the most smog effected areas of Dublin. But the zone covers only 800 out of 200,000 households in the city and is being implemented over a period of six months, thus bringing no quick improvement in smog levels this winter.

More broadly, the smog problem belies Ireland's image as a healthy, pollution free environment. Environmental groups are calling for action on a number of fronts.

Some of Ireland's lakes, famous for their rich marine life, are virtually dead due to careless use of agricultural fertilisers. Each year several tons of fish die in Ireland's rivers because of silage spills from farms. Ireland's famous boglands are coming under increasing threat from a fast growing forestry industry. Mining companies are becoming more active, particularly in the wild, western parts of the country, till now one of the most unspoilt regions of Europe.

In the 1970s and early 1980s there was a building boom in Ireland. Farmers who had seen their incomes rise with Ireland's entry into the EC built new bungalows in the countryside. Many of these were constructed with little or no consideration for the environment.

The Irish blame the nuclear power plant at Sellafield in northern England for turning the Irish Sea into what is described as the most radioactive stretch of water in the world. Yet Dublin Bay is polluted by many thousands of tons of raw sewage discharged into it every year. Signs warn against swimming near the city. Ultimately the smog and other environmental problems could have serious consequences for Ireland's tourist industry.

The Government has made some efforts to tackle what has become a source of considerable embarrassment. But the tourist brochure image of a clean, green, wild country is being quickly lost in a dense cloud of smog and haphazard development.

EUROPEAN NEWS

Too many holidays in Spain

There will be a lot of days off next week, reports Tom Burns

JUST WHO IS working in Spain on a given day of the year is at the best of times mystifying. The situation will be worse next week when the *mañana* image is destined to go from the sublime to the ridiculous. "What is happening," said one Barcelona businessman, "is a *barbaridad*, something barbaric. I don't know who will be working where next week but I suspect a lot of people won't be working at all."

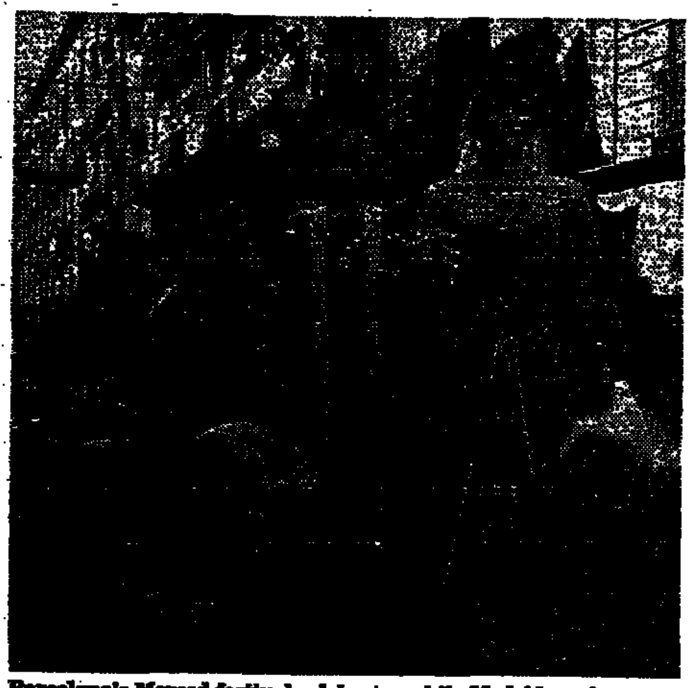
The problem is that public holidays are due on Tuesday December 6 – a recently instituted public holiday that commemorates the endorsement by referendum of Spain's post-Franco democratic constitution – and also on Thursday December 8, the traditional Catholic feast day of the Immaculate Conception.

When a public holiday falls within a day of the weekend, on a Tuesday or on a Thursday, a majority of Spaniards take a *puente*, literally a bridge, and stay away from work for four full days. December 5-11, with its duo of mid-week holidays, has already been dubbed a *viaducto*, an extra long bridge spanning the entire week.

The annual holiday calendar in Spain is, at the best of times, what a spokeswoman for the National Employers Confederation termed "somewhat chaotic." There are national holidays, holidays that are observed in specific regions and others which are celebrated only by cities.

Even national holidays are not what they appear. Spain has a public holiday on July 25, the feast of St James the Apostle, the nation's reputed evangeliser and its patron saint. Not so Catalonia which works that day and downs tools instead on the feast of St Stephen, December 26 and Boxing Day in the English speaking world, when the rest of Spain is, at least in theory, back at work.

Catalonia works on April 23 but not so Barcelona for the date marks the feast day of St George, or San Jordi, the city's patron saint. By the same token Madrid city, but not its surrounding province, goes limp in the week of May 15, the feast day of St Isidro, the Spanish capital's patron saint.



Barcelona's Merced festival celebrates while Madrid works

Bilbao, in the Basque country and the third industrial leg in Spain, takes the day off on July 31 in honour of its local hero St Ignatius of Loyola, and then takes a week off for its fiestas at the end of August just as Barcelona does at the end of September to commemorate its local the Virgen de la Merced.

All of Catalonia stops work on September 11 to remember the occasion when Madrid's troops conquered the region in the Spanish War of Succession more than 250 years ago and all of the Madrid region closes down a month later in honour of the Virgen de la Almudena who was revered by St Isidro.

Against such a background, the disparity of working prospects next week is par for the course. Employers and unions in Bilbao have agreed to take Monday and Tuesday off, Madrid will stage public holidays on Tuesday and Thursday and roughly half the factories in the Barcelona area will be working on Monday while the other half will be open on Thursday.

Most business people in all three cities expect massive absenteeism for the whole week. There could be precious little for the labour force to do anyway in certain plants for a statutory law prohibits the road transport of "dangerous goods", such as inflammable products, on a public holiday or on the eve of a holiday, and that ruling effectively sidelines such transport during the whole of next week.

At the begining of this year moves were made by the administration to avert such chaos. Mr Felipe Gonzalez's socialist government decided to switch Thursday's December 8 holiday to the Monday in the hope of having the country back to work on Wednesday after Tuesday's December 6 Constitution holiday. Last year December 6 had conveniently fallen on a Sunday and the issue had not arisen.

January's pragmatic decision ran into immediate difficulties in Mr Gonzalez's home town of Seville where the local population declared that it had been observing the Immaculate Conception since 1471 and warned that if the December 8 holiday was abolished there would be no more religious processions in Holy Week which is when the city makes a fortune from tourism. Seville's municipal authorities hastily decided that Thursday would be a holiday in the area next week as well as Monday and Tuesday. This was the thin end of the wedge for Spain's bishops who quickly pointed out that the observation of the Immaculate Conception was part and parcel of the Concordat that governs relations between Spain and the Vatican.

Three weeks ago the Government climbed down and passed the Monday holiday back to the Thursday. Applauding the move, a spokesman for the Catholic Church said that the Government had taken note "not only of the pressure exerted by the bishops but also of the clamour of Christian people, businessmen included."

Mr Alfonso Guerra, the deputy prime minister, who has special responsibility for Church-State affairs, shifted the blame on to the Employers Confederation saying that the Government did not intend to "worry unduly about productivity" if it was not backed in its rationalising efforts by the business community which stood to gain most from them.

The jibe was angrily resented by the Employers Confederation which said it was not privy to the church's negotiations with the Government and the latter's climbdown was in any case ignored by the Basque business leaders who reached their own agreement, with the support of the Basque regional executive, to work on Thursday as the Madrid government had originally intended.

In Catalonia the local employers federation advised its members to notify the authorities that for safety reasons their plants could not open and close down on alternate days and that they therefore intended, as in the Basque Country, to work on Thursday and not on Monday. Major factories such as the SEAT and the Nissan car plants have followed such advice.

One irony of the situation is that the Government's decision to restore December 8 as a holiday was sharply criticised by the Madrid daily newspaper El Pais, which warned it of the consequences of appearing more flexible in its negotiations with the bishops than in its talks with the unions. The newspapers comment turned out to be the stuff of prophecy for within days the unions had announced a general strike for December 14.

"If the unions had been imaginative they could have bridged the church-state gap by calling the strike a week earlier, on December 7," commented a government official yesterday. "that way they could have institutionalised the *viaducto* nationwide."

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PRIMERICA CORPORATION
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as Fiscal Agent and Conversion Agent

Dated: December 1, 1988

UK NEWS

Monopolies panel to rule on UniChem shares plan

By David Waller

A SHARE incentive scheme operated by UniChem, the pharmaceutical wholesaler owned by 5,500 independent chemists, has been referred to the Monopolies and Mergers Commission by Sir Gordon Borrie, director general of fair trading.

Sir Gordon's decision came 10 weeks after the Office of Fair Trading ruled that the scheme was anti-competitive. Now the MMC has five months to conduct its own report to determine whether the scheme is anti-competitive and, if so, whether it operates against the public interest.

Yesterday's ruling was the latest development in a bitter saga which for a time sent the UK's £1.5bn pharmaceutical wholesale industry into a state of convulsion. It began in January this year when UniChem introduced a scheme which linked the the issue of heavily discounted shares to level of customers' purchases.

The decision was was roundly condemned yesterday by Mr Peter Dodd, UniChem's chief executive. He said that despite disagreeing with the conclusions of the OFT's report, UniChem had discussed ways of changing the scheme so that it would no longer be deemed anti-competitive.

The scheme was a tremendous success for UniChem, which attracted 550 new customers and managed to wrest a substantial amount of business away from its quoted competitors, Macarthy and AAH. New customers were attracted by the chance of a substantial capital gain when UniChem shrugs off its status as a friendly society and goes to the market: the shares were sold at £1 and could fetch as much as £12 on flotation.

Mr Dodd said that the scheme would continue to operate while the MMC conducted its investigation.

Former Crowther clothing group to shed 700 jobs

Response to restructure

By Alice Rawsthorn

THE management team which took control of the John Crowther Group's clothing companies in a £90m buy-out this summer has announced a restructuring programme of disposals and closures to cut its workforce by more than 700.

Once the restructuring is completed, the company – now renamed the Response Group – will be among the largest players in the UK clothing industry with 4,250 employees and annualised sales of £150m.

Its activities include contract manufacturing for multiple retailers and brands, such as Speedo swimwear and Pierre Cardin hosiery.

Mr David Suddens, chief executive who orchestrated the buy-out, said the restructuring was intended to withdraw from loss-making activities and to concentrate resources on more profitable areas.

Response is the product of a series of acquisitions staged by the John Crowther Group in the mid-1980s.

This summer Crowther was taken over by Coloroll, the aggressive home products group, after a bitterly fought bid battle. Coloroll retained Crowther's carpet companies, but sold the unwanted clothing businesses to the buy-out team.

Response has already agreed to sell its loss-making contract knitwear business in Leicestershire, in the Midlands, and is negotiating the sale of Robert Michaels, a fashion wholesaler in London, to management.

The group also plans to sell the original Crowther woollen mill near Huddersfield in northern England; a lace manufacturer in Nottingham; and Herbert Johnson, the hat shop in London's West End. It expects to raise £15m from disposals and to realise £2.5m from property sales.

Response is cutting central costs. It has introduced a new management structure – whereby each company reports directly to the main board – and eradicated central functions such as marketing and design. This exercise will reduce overheads by £1m a year.

Mr Suddens also intends to cut costs within the remaining businesses. The workforce at Sunbeam knitwear in the Irish Republic will be cut by 70 to 170 people. Response has also begun productivity improvement programmes.

In recent months the UK clothing market has become increasingly competitive due to a rapid rise in imports fuelled by the strong pound.

● The wool textile industry has increased its export sales by 3 per cent to £461m in the first three quarters of the year despite sterling's strength.

The industry, which is concentrated in Yorkshire and the Scottish borders, achieved record exports of £607m in 1985 when the pound was comparatively competitive. The wool textile mills hope to beat that figure this year, but the rate of export growth has slowed as the year has progressed and the pound strengthened.

Ombudsman backs complaint over phantom cash withdrawal

By David Barchard

PHANTOM withdrawals from bank cash dispensers, when the machine deducts money from an account without a withdrawal being made, may really happen according to a ruling by Mr Ian Edwards-Jones, the Banking Ombudsman, this week.

His annual review published yesterday says that complaints about ATMs (automatic teller machines) are the biggest single source of complaints about the banks. The Ombudsman received 269 complaints, mostly about phantom withdrawals.

Banks and building societies generally take the view that phantom withdrawals are more or less impossible and can usually be explained away as fraudulent use, perhaps without the knowledge of the card holder.

However, on Monday this week, Mr Edwards-Jones ruled in favour of a bank customer, saying that the balance of probability was that a disputed withdrawal had not been made.

Mr Edwards-Jones had less comfort for bank customers on two other regular subjects of complaint, interest charges when a customer repays a loan before the end of its term and liability when a bank customer guarantees someone else's account.

He gave a warning that in both cases customers may fail to realise their full liabilities under "the small print" in the agreement.

In 1987, complaints to the Banking Ombudsman rose to 2,089, an increase of 20 per cent. Mr Edwards-Jones, who retires today, said he thought that the rise reflected greater public awareness of the Ombudsman's existence.

Spicer team defects to Ernst & Whinney

By Richard Waters

IN A rare defection of staff from one accountancy firm to another, a team of information technology consultants has moved from Spicer & Oppenheim to Ernst & Whinney

This echoes tensions between consultants and accountants which have surfaced in some other firms, most notably Arthur Andersen.

The six consultants are all specialists in computer resource management, which involves helping companies to get the best out of their existing computer facilities.

They are understood to have been unhappy with Spicer's strategy for its consulting operations, and with the fact that they were not given a stake in their business, despite promises to the contrary.

Ernst & Whinney, though not giving them an equity stake either, is seen to present greater opportunities.

The defection poses a serious question for Spicer, which has pinned its future on its ability to attract and keep teams of specialists like this. The firm is at present trying to appeal to people who want to control their own business by handing power to its various specialist business units.

This development has been blighted by high-level departures, however. In recent months these have included those of Mr Chris Batt, who was himself headhunted with a team of consultants from Booz Allen just 18 months before, and Mr Adam Mills, who had recently been appointed first managing director of Spicer's corporate finance group.

The team of consultants which has moved to Ernst was built up by Mr John Rankin, who joined Spicer three years ago. The team was not hired collectively but its members have moved across individually.

Hurd publishes 'narrower' law on state secrecy

By Michael Cassell, Political Correspondent

THE GOVERNMENT last night published a Bill intended to replace the unworkable, "catch-all" Section 2 of the Official Secrets Act which it claims will drastically narrow the scope of official information covered by the criminal law.

The long-awaited reforms to the present secrets laws were described by Mr Douglas Hurd, the Home Secretary, as "a notable essay in openness."

The Bill was at once attacked, however, by the Government's critics, who claimed the new proposals were more repressive than those they are designed to replace.

The opposition Labour Party accused the Government of becoming "increasingly authoritarian and secretive", while the Campaign for Freedom of Information said the Bill was designed to prevent the public knowing about abuses of government power.

As was the case in the June policy document, the Bill sets out six categories of information, the disclosure of which will be covered by the criminal law.

They embrace defence, security and intelligence, information passed between governments or that relating to international relations, any information of use to criminals or information relating to, or arising from, interception activities.

In every area but security and intelligence, the prosecution will have to satisfy a jury that disclosure, including that by journalists, has harmed the public interest.

People convicted under the new legislation would face prison sentences of up to two years and fines of up to £2,000.

Mr Hurd said that the Government firmly believed that, for members and former members of the security and intelligence services, the disclosure of information about their work without authority is always harmful to the public interest and should always be an offence.

The measure is intended to enshrine in the new legislation the duty of lifelong confidentiality for members of the security and intelligence services. The issue was at the centre of the political storm arising out of the publication last year of Spycatcher, the memoirs of Mr Peter Wright, the former MI5 officer.

The Bill contains no public interest defence, which would enable those accused to claim they had acted on the interests of the country, and neither will the previous publication of classified material provide an alternative defence. In both cases, however, it will be up to the prosecution to prove harm has been done.

Mr Roy Hattersley, the Labour spokesman on home affairs, said last night that, far from liberalising the secrecy laws, the Bill sought to give government greater powers to withhold and conceal information which it might find politically embarrassing if published.

Referring to a passage in the Bill which says any servant of the state or government contractor is guilty of an offence in making any "damaging" disclosure", he added: "Everything that the Government defines as relating to security must remain secret at all times. They, and they alone, decide on what is secret."

SEAQ prestige also dented by zero margin trade

SE fines two securities houses for late reporting

By David Barchard

TWO securities houses have been fined by the London Stock Exchange for trying to falsify the market by late trade reporting.

A spokesman for the Stock Exchange said yesterday that the market maker involved had been fined £25,000 and the broker £10,000.

Under Stock Exchange rules, the price and size of all deals in leading stocks must be published within five minutes on its automated prices quotation system, SEAQ, to ensure that the entire market is aware of transactions taking place.

In this case, the market maker is believed to have delayed reporting a transaction after being unable to dispose of part of an order which had been sold and booked as traded by a broker

The Stock Exchange yesterday declined to say when the offence occurred or to identify either of the firms involved, saying only that they belonged to separate securities houses.

This is not the first time that a securities house has been fined for late trade reporting, but it is the first occasion on which two separate firms have been punished for colluding.

The Stock Exchange is also preparing to warn market makers that they will be penalised if they permit unofficial inter-dealer broking to take place.

News of the fines broke on a day when the prestige of SEAQ suffered a further dent with Shearson Lehman, one of the smaller securities houses, cocking a snook at the market by offering identical buying and selling prices on a selected share.

On Tuesday, Shearsons offered a zero margin on 10,000 shares of British Aerospace, while yesterday they repeated the exercise on batches of 5,000 shares of Rank Organisation.

However, by 3:45 yesterday afternoon, Shearsons had been forced by market pressures to resuming trading at a margin between buying and selling prices around those of other houses.

The move was a deliberate protest by Mr Bernard Leaver, chief trader at Shearsons since May, at moves by larger securities houses such as Phillips & Drew and Barclays de Zoete Wedd to trim the spreads they broadcast on SEAQ and offer only a small number of shares for dealing.

A spokesman for the Stock Exchange said that Shearson's zero margin had been "trading within the rules."

However, these and other recent controversies over practices by users of SEAQ would be considered in the course of the UK equity market review. This is presently under preparation by a Stock Exchange subcommittee which is due to report in March.

● Separately, Morgan Grenfell, the merchant bank, said yesterday that it is considering a return to the Stock Exchange floor in order to deal in British Steel shares.

Dealings in the stock, the Government's latest privatisation issue since the sale of BP shares last year, start next week.

Should it return, it would do so only to deal in small amounts of shares; large blocks would still be dealt through SEAQ.

The Stock Exchange confirmed yesterday that it would allow Morgan Grenfell to deal on the floor.

It said that had not yet received similar requests from other market makers.

Flexible shift deals sought for railways

By Jimmy Burns, Labour Staff

A NOVEL three-day working week with shifts of 13 hours daily for some track maintenance staff has been proposed by British Rail.

The plan is part of a package of changes, including the introduction of a more flexible grading structure for nearly 14,000 station and depot staff based on skills and the extent of supervisory responsibility, which was put before rail unions this week.

The plan to introduce more flexible shift patterns is believed to be the most radical by a large UK employer. It is the latest stage in BR's strategy of improving efficiency by changing working practices, decentralising collective bargaining, and bringing in performance-related pay.

Rail unions have already agreed to the ending of demarcation between drivers and conductors, and BR says it wants the more flexible shifts in place early next year. Rail unions told Mr Paul Watkinson, BR's chief personnel officer, on Tuesday that they were prepared to join working parties to examine further changes but they said that this did not signify agreement to existing proposals for changes.

Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, the largest rail union, said last night: "The latest proposals have very deep implications for us."

The move to introduce three-day weeks, alongside six and four-day weeks, is seen by BR as a way of allowing for essential maintenance work to be carried out by its 16,000 track maintenance staff with a minimum interruption to services.

BR, which employs 130,000 rail staff in total, also hopes that the revised grading for station and depot staff will help ease a mounting recruitment crisis among its lowest-paid staff, among which there has been sharply higher labour turnover in the south-east over the last two years.

The NUR, traditionally a highly centralised union has been devolving power to its regional offices in an effort to respond more effectively to planned changes by local BR management.

The union still fears, however, that BR's latest proposals are aimed at undermining its organisation and says that the problem of recruitment can be solved only by increased pay.

One NUR official said last night there would have to be "money on the table" before his union would seriously consider BR's latest plans.

Brel bids deadline put back by three weeks

By Kevin Brown, Transport Correspondent

THE deadline for private sector bids for state-owned British Rail Engineering (Brel) has been put off for three weeks.

The postponement is not expected to lead to a big delay in the timetable for privatisation, planned for the New Year. British Rail, which is handling the sale of Brel, refused to comment, but the deadline is understood to have been moved from today to December 21.

The postponement is thought to have been requested by one of the two bidders – a consortium of Brel managers and employees, together with Trafalgar House and Asea Brown Boveri the Swedish/Swiss electrical engineering group.

The consortium and GEC, the only other bidder, submitted their initial bids on October 7, but have held long talks since then.

The timing of these additional talks is thought to have been difficult for the management consortium, which is led by Mr Peter Holdstock, Brel's managing director, and the company's five other executive directors.

Drink drivers face threat of permanent ban

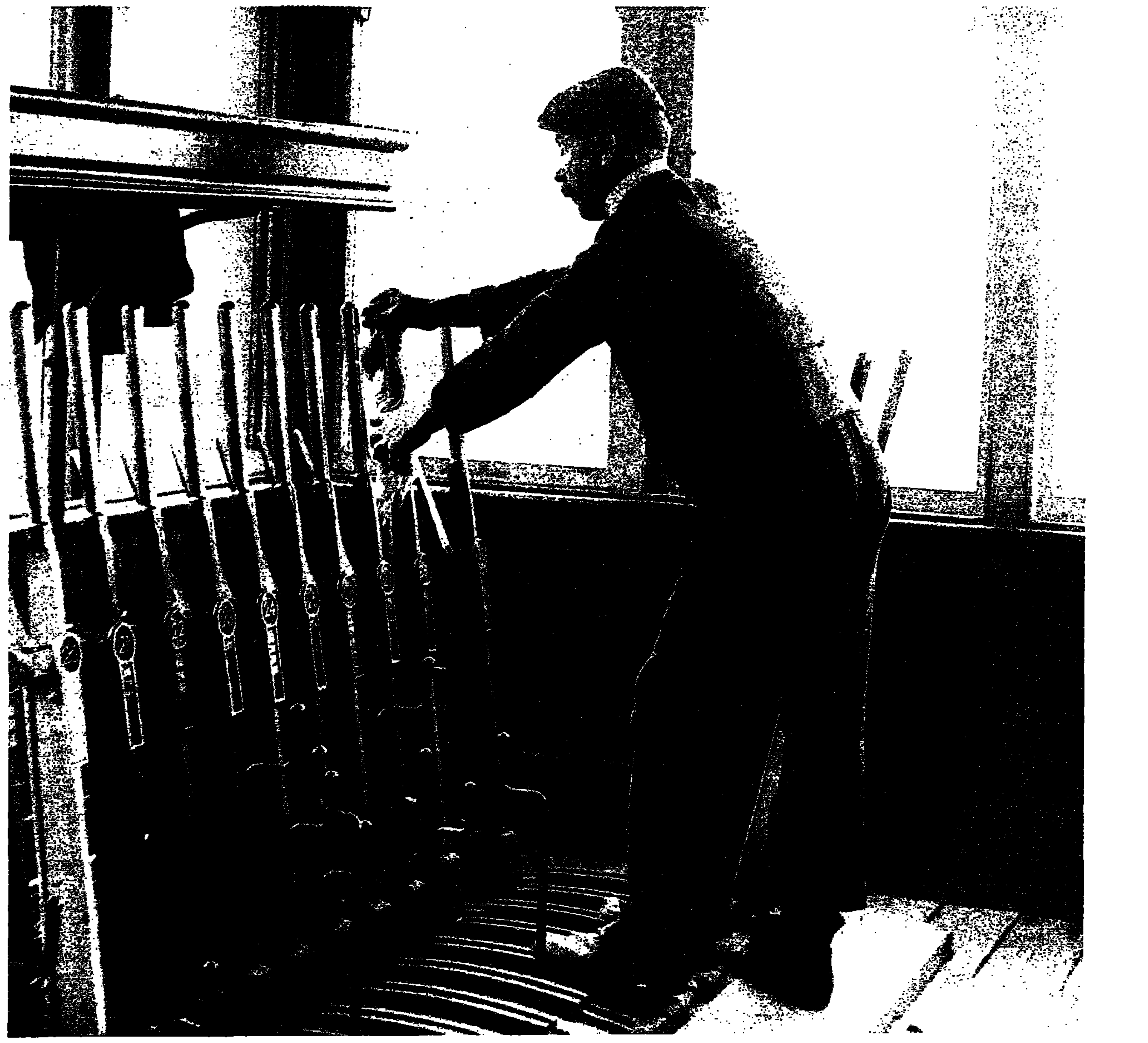
By Lisa Wood

TOUGH NEW measures against convicted drink drivers are planned by the Government. Some drivers may be banned from the roads permanently if they fail medical tests.

"To get their licences back they will have to prove that they have kicked the habit," Mr John Wakeham, chairman of the Government's ministerial group on alcohol abuse, said.

The tests will apply to drivers convicted of drinking 2½ times the legal limit – the equivalent of about six pints of beer or two bottles of wine; those with two drink driving bans in 10 years and those disqualified for failing to give a urine sample for analysis.

Drivers convicted of certain drink offences will have to undergo a medical examination by a Department of Transport approved doctor.



Edwardes cuts HQ staff at Charter Cons

By Kenneth Gooding, Mining Correspondent

CHARTER CONSOLIDATED, the UK industrial group currently in the process of a shake-up at the hands of Minorco, the South African controlled investment company, yesterday announced the departure of another long-serving director and said that about half of its headquarters staff of almost 100 were being made redundant.

Minorco, which is based in Luxembourg and owns 36 per cent of Charter, moved in on the UK group three weeks ago as part of a change in strategy.

Instead of being a passive investment company, Minorco intends to have "hands on" involvement with companies in which it has substantial stakes.

Sir Michael Edwardes, who was recently appointed chief executive of Minorco, is now also non-executive chairman of Charter. He was said yesterday to be the "catalyst" for the changes.

His arrival coincided with the resignation of Mr Neil Clarke as Charter's deputy chairman and chief executive.

Subsequently Mr Ian Little, deputy chairman and chief executive of Anderson Strathclyde, Charter's mining equipment subsidiary, resigned.

Yesterday it was the turn of Mr Anthony Owston, 47, who has been with Charter since it was set up in 1965. He has been the executive director responsible for Charter's mining interests.

Some analysts suggested that the moves were part of attempts by Minorco to "clean up" Charter so that the UK company could be used as the vehicle for a bid for Consolidated Gold Fields, the UK mining and industrial group.

Minorco's recent hostile £2.9bn offer for Gold Fields lapsed when it was referred to the UK monopolies authority.

Pullmax plans machine tools plant in Britain

By Nick Garnett

PULLMAX, the Swedish industrial holding company, is to build machine tools in the UK.

The company, which specialises in the manufacture of metal forming machines such as presses, is looking for a factory building to purchase in the north-east of England or South Wales.

A new company, Pullmax Systems is being set up to undertake development and manufacture of a new computer controlled punch press. The company will be majority owned by the Gothenburg-based group.

UK manufacturing content of the new press would be 75 per cent and the factory would employ about 50 people.

The company said one of the reasons for setting up in the UK was the approach of the more open European market after 1992. It also needed more production space because its factories in Sweden were working at full capacity.

Punch presses are used for sheet metalworking in a wide range of industries, including aerospace, construction machinery and rail equipment.

Pullmax said the UK market for its British-made machines would be 70 to 80 units per year. Main competition at the moment is from West German and Japanese companies.

A number of non-British machine tool companies have set up assembly or manufacturing operations in the UK in the past two years. The largest is the Worcester facility of Yamazaki of Japan.

Irish maintain reserve over Ryan

Kieran Cooke looks behind Dublin's silence over the priest's case

FOR A people with a reputation for emotionalism, the Irish reaction to the latest salvos from London concerning the case of Mr Patrick Ryan, the former missionary wanted in Britain in connection with a series of IRA murders and bombings, has been remarkably subdued.

Mrs Margaret Thatcher, the UK Prime Minister, and Sir Patrick Mayhew, the Attorney General, have made some of their most outspoken comments to date about what they feel is the lack of Irish resolve in the fight against terrorism. But while many private Irish reactions are unprintable, there has been no response from officials, apart from their saying that the whole Ryan affair is now in the hands of Mr John Murray, the Irish Attorney General.

The British, not the Irish, are seen to be overreacting. Even Mr Gerry Collins, the Irish Minister for Justice, who earlier this year said that Sir Patrick Mayhew was unfit to hold public office, has restrained himself. But unofficially the Irish feel that Sir Patrick has made a complete mess of the extradition process.

Under legislation passed by the Irish Parliament, the Dail, last year the Irish Attorney General must first be satisfied that there is a "sufficiency of evidence" for extradition before allowing cases to go to court. The Irish say that Sir Patrick at first refused to abide by the new procedures.

It has become clear that initial British documents requesting Mr Ryan's extradition had to be sent back: some of the supporting evidence on the Mr Ryan case supplied by Sir Patrick's office is said by the Irish to have been unintelligible.

The Irish say that they were co-operating with the British. They feel that Mrs Thatcher has chosen to ignore the legal realities of the Ryan case and has decided instead to turn extradition into a political issue. The Irish accuse Mrs Thatcher of playing to the right wing of the Conservative party and of giving support to anti-Irish sentiments.

The British, once again, are perceived by the Irish as being arrogant and highhanded. "We are a sovereign country with our own legal system. The British don't seem to have realised that yet," said one member of the Dail, the Irish Parliament yesterday.

Any British charge that Ireland is harbouring terrorist suspects is received with contempt in Dublin. Ireland has as much, if not more, to lose than Britain through IRA activities. Violence in Northern Ireland can quickly spill over into the Republic. The Irish economy has lost many millions in potential investments because of the adverse publicity of violence in Northern Ireland.

The perception is growing in Dublin that Mrs Thatcher, having failed to find a way forward on the problems of Northern Ireland, has become frustrated and tired. She now focuses on terrorism and the security issue to the exclusion of all else.

An emotional anti-British backlash is underway. Even if Mr Murray allows court action to proceed the Government of Mr Charles Haughey, the Irish Prime Minister, will come under increasing political and public pressure to have the case dropped. The present Extradition Act is due to be reviewed by the Dail next Tuesday. The Mr Ryan affair could not have happened at a worse time.

There is no justification for describing Patrick Ryan as "Father", Cardinal Hume, leader of Roman Catholics in England and Wales, said yesterday.

A statement issued on behalf of Cardinal Hume, who is visiting Rome, said: "Patrick Ryan walked out of his religious order and his ministry as a priest 14 years ago. In so doing he renounced the relationships which justify the normal use of the title Father.

"He must bear the sole personal responsibility for anything he may have done since then.

"The Catholic Church for its part unconditionally rejects violence and the paramilitary solution to the Northern Ireland problem.

Irish Attorney General John Murray

Private sector urged to accept health training obligation

By Richard Donkin

MR DAVID MELLOR, Minister for Health, told delegates at the Financial Times private health care conference in London yesterday that the private sector needed to face up to its obligation to train medical staff. Competition with the National Health Service had to be fair and seen to be so.

The private sector's present input to training, he said, was patchy and mainly provided by the larger companies to meet their own needs. Some 30,000 qualified nurses were employed in the private sector at the end of 1986, said Mr Mellor.

The demographic impact on new recruits to nursing in the next decade made it vitally important for the private and public sectors to take the training of qualified staff seriously.

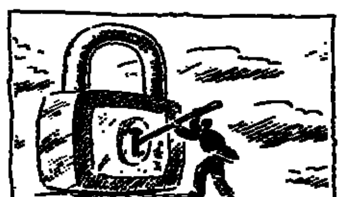
Mr Mellor said the extra £2.2bn for the NHS next year, announced in the Chancellor of the Exchequer's autumn statement, demonstrated the Government's commitment to the service as the mainstay of the nation's health care system. He said: "We have moved well away from the sterile and self-defeating conflicts of the 1970s. We now have a healthy mix that allows for individual choice."

The NHS could, however, benefit greatly from the spur of a flourishing private sector. A shift in public attitudes to health care and an increased awareness of the potential range of health care services meant that a growing number of people were investing in their own health.

Mr Mellor said the private sector now treated more than 400,000 people a year. Health services supplied by the private sector accounted for more than 9 per cent of all hospital-based services compared with 7 per cent in 1984.

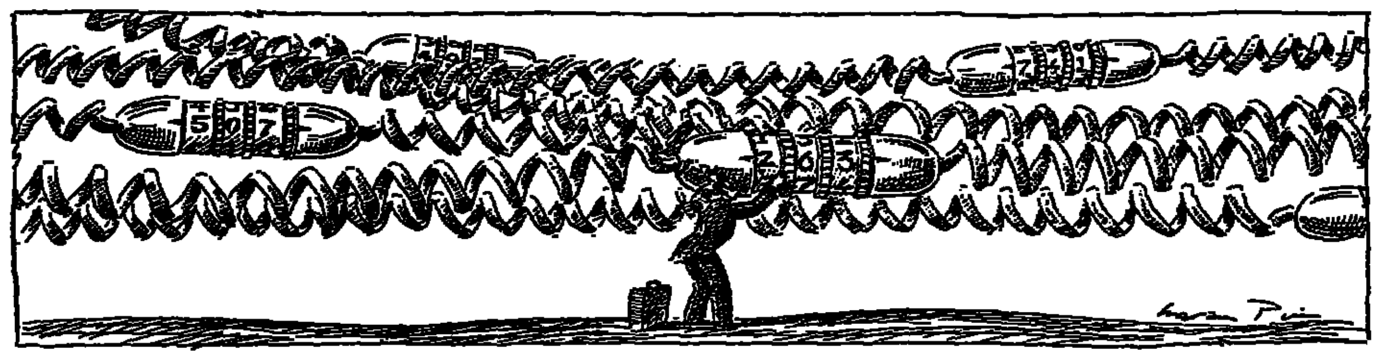
Since 1979, he said, there had been a 56 per cent increase in private hospital beds, with currently 10,000 beds in about 200 hospitals – 18 beds per 100,000 of the population. The number of nursing home beds had increased by more than 100 per cent in the same period to the present total of 52,000 beds in more than 2,000 homes. Some 5.25m people were now covered by private medical insurance, double the number in 1978, said Mr Mellor.

Mr Mellor said the Government might consider a cutback in funding of residential nursing homes for the elderly.



Continuing a series on computer security, **Della Bradshaw** looks at the protection of data in transit

En route to the right combination



To guarantee the security of information held on a computer is difficult enough. To safeguard that information when it is travelling across a country – or even a continent – is a monumental task.

Many companies are finding that data communications are the Achilles heel of their computer security systems. "The important thing is to define exactly what you're trying to protect and what you're protecting it from," says John Ross, consultant with software house Logica. "Then you have to decide how vulnerable the information is and whether it is worth the cost of protecting it."

The four criteria for a secure network are:

- Authentication: making certain the information has come from the person who claims to have sent it. It is particularly important with services such as Eftpos (electronic funds transfer at point of sale), where funds are transferred from one bank account to another when a customer buys goods.
- Confidentiality: ensuring information is not disclosed to unauthorised users.
- Integrity: checking the information has not been changed in transit.
- Non-repudiation: guaranteeing the information has been sent and received. This is particularly important for legal documents..

"Not all customers want the same things at the same time," says Peter Jackson, operations director of Brighton-based Computer Security, which specialises in computer and network security equipment. "For example, a bank moving a large amount of money between sites may not mind people knowing that the money is being transferred, but the integrity of the information is crucial – an extra zero can make a lot of difference. On the other hand an oil company which wants to inform its offices about an oil strike will want the information to be confidential."

One worry expressed by many companies sending data across networks is that they have no control over the personnel who may have access to the information. Their messages have to travel along communications links run by the telephone company – unlike a stand-alone computer where the company can vet everyone with access to the system. Private data networks, where lines are installed between two specific points for the exclusive use of one customer, also go through the telephone company's exchanges or sites.

"The most vulnerable point in any network or computer system is not the technology but the people," says Barry Stuttard, managing director of Racal Data Networks. Racal is installing and will manage a private data network for the UK Government which will link together 85,000 terminals at 4,000 locations, including Inland Revenue and social security offices.

The element of a communications network most likely to be targeted by would-be thieves or vandals is the switching centre, which directs the computer information to its final destination. "If you can get into the switching room you can sit down at a terminal, get into a company's computer system and change all the security codes," says Nick Swain of UK consultancy group Eosys. "That would mean you could get access to confidential information – probably without anyone even knowing. It's just like cutting yourself an extra set of keys."

One way of making data more secure is to choose the right type of signal for transmitting the information, whether it is over a public or a private telephone network. Packet switched networks, for example, which use internationally agreed standards called X.25, have three elements which make them more secure than the ordinary telephone networks. (Packet switching means the information is cut up into packages of data to be sent over the line, each carrying an address to ensure it reaches the right destination.)

First, as the packets of data are sent across the network they are mixed at random with packets sent from other users to other destinations. In addition, different packets of data from the same message might be sent round the network by a different route. This means that if someone does intercept the data stream it is extremely difficult to work out which packages belong to which message.

Second, an integral safeguard of the X.25 standard is that unless the receiving terminal gets all the packets in the correct order, it will not accept the message.

Finally, companies which want to keep their data separate on packet-switched networks can use closed user groups (Cugs). To gain access to information within a Cug, extra passwords are needed.

Computer network security is becoming more important as an increasing number of companies hand over their communications management to third parties. John Wishney of Electronic Data Systems (EDS), believes fears about security are unfounded: "Because we are dealing with other people's information, the attention we would pay to security would in all probability be more stringent than an ordinary telecommunications department in a big company."

EDS can make the data more secure by encrypting it, a technique used primarily in military communications. Encryption scrambles the data into an unintelligible form for transmission. If the recipient has the correct keyword or signature, the message can be deciphered on arrival.

The US firm RSA Data Security makes equipment using the RSA encryption system, named after its authors, Rivest, Shamir and Adleman. Jim Bidzos, president of RSA, believes that encryption can also help prevent the spread of "viruses" – rogue software which multiplies throughout computer networks and corrupts data. This is because the sender of an encrypted message needs a signature.

"A digital signature is a good first line of defence against viruses," he says. "If nothing else, you can find out where the virus came from. That in itself will discourage people."

There are devices commercially available (using RSA and other encryption devices) which can be attached to either end of a telephone line to encrypt and decipher the messages. They cost about £1,000 for each line and can be used on the ordinary telephone or private data networks.

One service which poses its own security problems is electronic data interchange (EDI), which involves passing information, usually invoices or orders, between two computers from different companies. John Jenkins, marketing and development manager for International Network Services (INS), the largest EDI company in the UK, says that security was one of the main criteria involved in setting up the INS network. INS uses security techniques such as encryption and X.25 signalling, as well as physical access control and a series of passwords.

However, Jenkins says that in the end it is up to the computer users to make sure that no access can be made to unauthorised sections – such as personnel records or payroll – of their computer systems.

In spite of the risks, few companies are taking the threat seriously, according to Stephen Thompson, sales and marketing executive at Plessey Crypto, which manufactures secure communications equipment. "Senior people in companies are prepared to pay £1,000 or more for a secure phone because they can understand that their conversations are valuable. But they're not so concerned about network security because they just don't see themselves as front-line computer users."

Previous articles in this series appeared on November 17 and November 24. The final one will be published next week.

The automatically decorated pizza

THE INCREASED popularity of the pizza in Europe calls for high-speed production at minimum cost. Pizza base production is already automated, but now the Dutch company Rijkaart, of Asperen near Amsterdam, has introduced a pizza decoration line (PDL), which can top pizzas at a rate of 5,000 per hour.

The bases move on a belt and the various toppings are added independently in an automatic line – the sequence being varied to suit the product. There are units to distribute the tomato purée, grated cheese and chopped vegetables evenly.

Ingredients are not wasted. Topping that does not remain on the pizza bases falls down chutes and is returned to the appropriate line unit. PDL is available in the UK from European Process Plant, Banstead, Surrey.

Getting fibre into shape

THE UK Government's National Engineering Laboratory (NEL), in Glasgow, is to conduct a three-year £2.5m research programme aimed at the continuous manufacture of the fibre component used in reinforced plastic parts.

At the moment such manufacture is labour intensive. A skilled operator has to cut fibre material, usually in sheet form, to make a "pre-form" which is held in shape by spraying it with a binder. The pre-form is then taken to the mould where it is impregnated with the hot plastic. After setting, a strong component is formed, capable of bearing heavy loads.

NEL aims to mechanise production of the pre-forms to speed up output and cut the waste that results from manual cutting. A likely research direction is the use of robots to make the pre-form shapes from continuous fibre material.

The European market for thermosetting reinforced plastics will soon exceed £1bn annually and is expected to grow substantially in the coming decade. NEL believes that if better process methods allowed these materials to be more widely used in load-bearing or structural applications, market growth would be even greater.

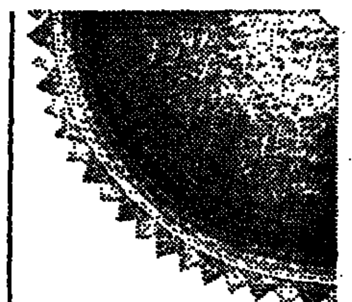
Flexibility in product lines

G. W. SOHLBERG, of Finland, is offering an automated movement system for use in light assembly factories, where flexibility is required in the kind of product being made.

The system gives a controlled flow of parts and materials and the freedom to automate gradually. It uses ergonomically designed workstations linked by a two-way conveyor belt that transports workpieces and materials on identical carriers (pallets).

Each pallet has its own "escort memory" which carries full details about its load. The memorised data can be read and altered during production, allowing new workstation destinations to be programmed to suit the product.

The memory can hold address data, product codes, processing requirements, a history of completed processes and similar data. This electronic flexibility is matched by the mechanical arrangements which are modular and easily changed.



WORTH WATCHING

Edited by Geoffrey Charlish

Larger liquid crystal display

WORKING with IBM's Japanese subsidiary, the Tokyo electronics group Toshiba has developed a 14-inch colour liquid crystal display (LCD) which it claims is the world's largest.

Although such displays are lightweight and have the advantage of being only an inch or two thick, they are difficult to make. This is because the screen consists of many thousands of individual picture elements, each of which must be capable of alteration by the picture signal fed in round the edges of the frame.

Complexity implies high cost, and the bigger the display area, the greater the chances of some of the picture elements being faulty.

The resolution (clarity) of the colour picture is 778 elements horizontally and 550 vertically. The unit is designed for computer display work and up to 16 colours can be reproduced simultaneously.

Toshiba believes that ordinary office equipment will use such screens before long, but there is no release date for a commercial product.

A demonstration of disaster

THE UK's Harwell Laboratory used a large-scale computer simulation to pinpoint the way fire spread in the disaster at King's Cross underground station.

Using a Cray-2, one of the world's biggest computers, and a program called Flow3D, which models gas flow, the scientists discovered what has become known as the Harwell trench effect. This is the flow of hot gases up the "trench" formed by escalator balustrades and steps – a phenomenon previously unknown to fire experts.

Flames rapidly accelerated up the trench and into the booking hall, whereas the conventional expectation would be for them to rise more or less vertically towards the escalator shaft ceiling.

The effect was later confirmed by the UK Health and Safety Executive using a one-third scale model.

To simulate the fire, the Harwell team broke down the three-dimensional plan of the station into 15,000 cells, each 1 cu m, and then calculated what changes were taking place in each one over a 10-minute span – in time steps of 0.1 seconds.

The results showed that the trench behaved rather like a chimney, sucking in air and propelling the fire up the escalator.

CONTACTS: Rijkaart: The Netherlands, 3451 14441 or in the UK on 07373 53422. National Engineering Laboratory: UK, 03552 20222. Sohlberg-Surtech: UK, 0256 470648. Toshiba: Tokyo, 457 2104. Harwell Laboratory: UK, 0235 24141.

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UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
3rd qtr.	107.1	108.3	28.9	131.5	171.8	2,827	241.3
4th qtr.	108.5	109.8	28.1	133.3	210.8	2,658	282.1
1988							
1st qtr.	108.1	110.7	29.9	135.3	173.3	2,486	248.9
2nd qtr	109.7	112.3	31.2	137.9	191.2	2,364	255.2
3rd qtr.	110.8	115.8	31.4	139.2	188.9	2,228	244.3
February	108.9	109.5	32.4	135.4	168.5	2,485	249.8
March	108.7	111.1	31.7	135.4	175.1	2,454	249.4
April	109.2	111.6	31.8	138.3	189.4	2,403	255.8
May	109.7	112.5	31.3	137.7	188.5	2,384	254.6
June	110.2	112.8	31.2	137.9	192.3	2,324	255.1
July	110.6	115.5	31.3	140.8	191.4	2,287	240.7
August	111.1	116.5	31.8	139.5	187.7	2,228	242.3
September	110.6	115.5	31.4	139.4	185.8	2,192	240.3
October				141.0		2,168	251.2

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987							
3rd qtr.	108.1	104.6	107.5	105.4	109.9	104.3	19.9
4th qtr.	109.5	107.7	108.4	106.8	111.4	103.2	17.0
1988							
1st qtr.	102.5	105.8	108.4	107.1	117.8	104.1	19.6
2nd qtr	111.5	107.9	109.5	109.3	121.1	101.5	22.3
3rd qtr	113.5	114.5	108.3	113.2	122.9	102.7	20.3
January	110.2	103.4	110.2	107.0	120.0	105.9	18.2
February	108.5	104.9	106.8	106.9	118.9	104.8	20.5
March	109.3	108.9	108.1	108.8	119.8	102.8	21.6
April	110.2	106.8	109.6	106.9	125.9	102.9	21.8
May	113.0	105.6	109.7	108.8	119.0	103.9	22.4
June	111.3	111.5	109.3	112.0	120.8	109.8	23.5
July	113.4	113.6	108.4	113.9	126.0	103.9	20.6
August	113.1	116.2	108.4	115.8	122.0	102.9	20.9
Sept.	114.4	113.7	107.9	113.0	115.9	102.0	19.4

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1987							
2nd qtr.	105.2	111.3	-2,399	-385	+1,016	97.6	34.36
3rd qtr.	109.2	119.5	-3,201	-1,103	+938	97.9	34.81
4th qtr.	111.9	120.8	-3,280	-1,891	+1,073	97.8	44.33
1988							
1st qtr.	108.5	117.8	-3,952	-2,842	+879	97.0	44.84
2nd qtr.	111.1	127.4	-4,521	-3,082	+877	98.6	48.52
3rd qtr	110.5	135.6	-5,529	-4,129	+393	99.1	50.04
February	103.6	118.0	-1,538	-1,109	+302	97.1	42.98
March	107.5	115.7	-1,824	-854	+216	96.8	44.84
April	112.3	124.0	-1,237	-731	+390	98.2	47.86
May	109.8	127.2	-1,713	-1,208	+221	98.7	48.53
June	111.6	131.0	-1,572	-1,088	+148	98.7	48.52
July	107.2	145.3	-2,807	-2,137	+85	98.6	49.83
August	104.8	130.3	-1,348	-1,348	+141	99.2	50.64
September	118.9	131.2	-1,094	-594	+157	98.9	50.05
October	107.2	146.1	-2,029	-2,429	+95	97.8	

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
1987							
3rd qtr.	5.0	20.5	19.7	+11,448	1,211	+874	10.00
4th qtr.	4.9	23.8	22.8	+11,282	3,007	+846	8.50
1988							
1st qtr.	5.3	21.8	20.9	+12,583	3,051	+1,026	8.50
2nd qtr.	5.6	18.6	20.3	+15,343	4,173	+1,084	9.50
3rd qtr.	7.6	17.3	20.8	+15,740	3,162	+1,137	12.00
January	4.6	21.9	22.5	+5,596	899	+298	8.50
February	5.3	21.0	20.6	+2,955	1,102	+321	9.00
March	5.6	21.0	20.9	+4,782	1,050	+420	8.50
April	6.1	21.2	19.4	+5,864	1,576	+281	8.00
May	6.2	19.9	19.8	+3,197	1,365	+365	7.50
June	7.3	18.6	20.3	+6,182	1,230	+436	9.50
July	6.9	17.9	20.5	+6,638	1,302	+298	10.50
August	7.9	15.7	20.1	+3,143	1,179	+518	12.00
September	8.4	17.3	22.4	+6,058	621	+321	12.00
October	7.5	13.7	19.5	+3,876	1,583		12.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls.*	Whsale. mnfg.	RPI*	Foods*	Reuters* cmdty.	Sterling
1987							
3rd qtr.	117.7	98.2	109.6	102.1	100.5	1,647	72.7
4th qtr.	120.6	98.4	109.9	103.2	101.7	1,683	74.9
1988							
1st qtr.	121.7	96.9	111.0	103.7	103.6	1,747	75.3
2nd qtr	125.5	97.3	112.6	106.2	104.6	1,817	77.6
3rd qtr.	127.5	98.1	113.9	108.6	104.7	1,902	75.9
January	120.5	98.1	110.6	103.3	102.9	1,752	74.9
February	120.4	96.5	111.0	103.7	103.6	1,765	74.3
March	124.1	95.7	111.4	104.1	103.9	1,734	76.5
April	124.8	96.3	112.2	105.8	104.4	1,730	78.2
May	124.2	97.7	112.5	106.2	104.7	1,778	78.4
June	125.9	99.5	113.0	106.6	104.6	1,836	76.3
July	128.3	99.4	113.6	106.7	104.9	1,879	75.6
August	126.8	98.8	113.9	107.9	104.4	1,863	76.5
September	127.3	98.2	114.2	108.4	104.8	1,873	75.5
October		97.9	114.6	109.5	104.9	1,874	76.3

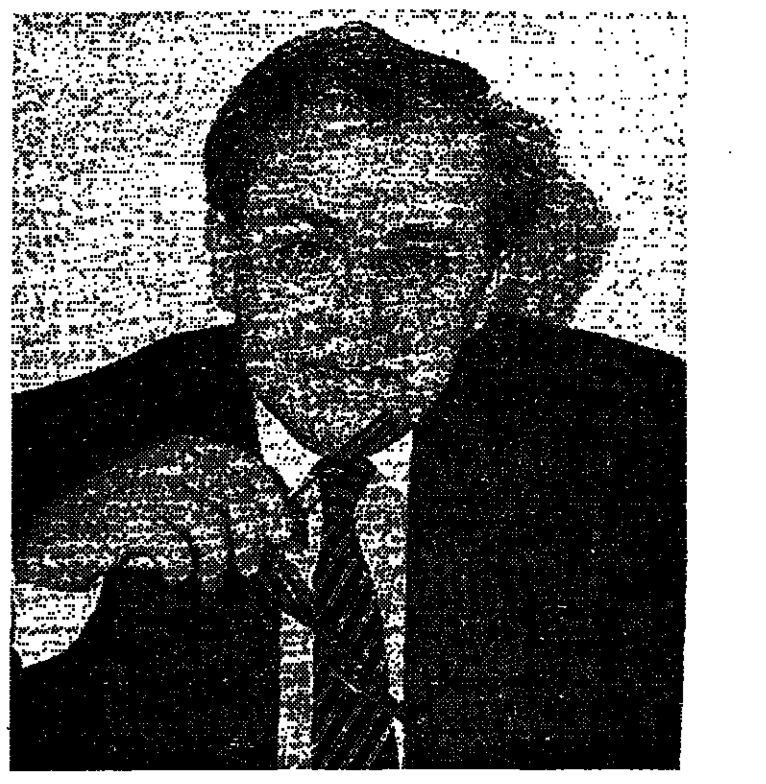
*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

LAW AND SOCIETY

The crowded world and global markets

By A.H. Hermann, Legal Correspondent



Basil Markesinis, who this evening delivers his inaugural lecture as Denning Professor of Comparative Law

A young woman travelling alone heard shouts and anguished cries from a neighbouring compartment. She thought: "Someone is being murdered and I ought to pull the emergency cord." But she remained glued to her seat and did nothing. A woman next door was murdered.

When she later told her story in the witness box, the judge was critical of her behaviour. "She ought to have pulled the emergency cord," he said, "one must not remain impassive when witnessing how someone is being murdered."

What the Crown Court's judge said did not change English law which does not oblige anyone to come to another's rescue. But he expressed the moral feeling prevailing in other systems of law, which requires the onlooker to attempt rescue if it can be done without grave danger to himself. This concept of responsibility for those who need our help in misfortune is bound to cross the English Channel sooner or later: in our present society, safety cannot be guaranteed by absent police, only by mutual help.

It may be asked why it has taken so much longer in England to discover this simple truth which in civil law systems springs from the "natural" principles of law. The charitable explanation is the Victorian virtue of self-reliance and non-interference. Another possible explanation, in the words of Professor Basil Markesinis of Queen Mary College in London, is the elevation of private selfishness to a public virtue. However that may be, the survival of rules which many perceive as wrong because they work against the general well-being, is greatly helped by the belief still cherished by most lawyers that law is intrinsically amoral and has nothing to do with justice.

In contrast with this "positivist" legal philosophy, the great civil law codes which mushroomed on the Continent around 1800, are all based on the Kantian concept of "natural" law – a term which survives in the English process to describe the equal right of the parties to be heard and to be protected by the "due process". It provided the ideological basis of the highly political proclamation of "human rights".

In the past, this Kantian concept – which attributes to mankind the ability to distinguish between good and evil – was very much at home in English courts. The evolution of common law and its merger with equity is unthinkable without the belief that the job of the judge is to dispense justice – a conviction held by all the great reforming judges and propounded in our time by Lord Denning.

For this reason it is fitting that Professor Markesinis, in his inaugural lecture today as Denning Professor of Comparative Law at the University of London, should choose to analyse the important House of Lords decision in *Smith v Littlewoods*, where, as so often today, common law judges moved closer to civil law solutions under the pressure of social change and practical necessity.

The dispute of *Smith v Littlewoods* was over a fire started by hooligans in an empty cinema. It spread to adjoining premises and caused damage to the plaintiff's property. The hooligans were not in the cinema for the first time but none of those people who witnessed their previous intrusions reported them to the police. Were the defendants liable to neighbours in damages because they failed to secure the cinema against unauthorised entry and to keep an eye on what was happening in it?

Translated to the circumstances of a town dweller – how can one protect an apartment, an office or a shop in a large building against fire, flooding and burglary unless other tenants in the same building take precautions? In contrast to civil law, English law does not recognise liability for omitting to do something which is not imposed as a specific duty by law.

In a global securities market, rules can only be enforced by international co-operation

The plaintiffs lost the case on facts, but Mr Markesinis thinks the law moved closer to civil law practice because Lord Mackay, the Lord Chancellor, spoke of a "standard of care" owed to one's neighbours. A reasonable man, said Lord Mackay, was bound to foresee when there was more than a mere possibility that his action or his omission would lead to damage or injury to another, whether caused by the elements or by a third party – such as the hooligans in the present case.

By contrast, Lord Goff stuck to the common law more rigorously when he said that there was no liability for "pure omissions". He concluded that to impose "a general duty on occupiers to take reasonable care to prevent others from entering their property would impose an unreasonable burden on ordinary householders." He also feared it would open "floodgates" to claims. But even he did not exclude the possibility of revising the non-liability rule omissions, provided that such revision devised strict limits to such new liability.

Not unreasonably, Mr Markesinis views the majority judgment as a step towards a gradual adoption of the civil law concept of duty to protect, and rescue, if necessary, your neighbours – a trend which, in my view, can also be detected in what the Crown Court judge said about the woman who did not pull the emergency cord.

The benefits which the common law can derive from the study of civil law systems has been pointed out by Mr Markesinis on many occasions and sometimes the Law Lords have proved him right. He is the rare type of a down-to-earth comparative lawyer, rather shy of big ideas but through his practical approach, often contributing more to the harmonisation of European law than the Brussels prophets of European federation.

However, the similarity of conditions requiring similar laws is not the only and perhaps not the strongest force for legal integration. The need for uniform rules governing activities which take place between countries, and on the high seas and in the air, has led to several successful attempts agreed between governments with the help of United Nations agencies of which the foremost is the UN Commission for International Trade Law in Vienna.

Of even greater urgency is the need for a globalisation of the securities law. In a global securities market, only the naive, or those who do not want to see, can rely on national enforcement of rules. The attempt by the US authorities to make their securities laws universally applicable by trying to enforce them against whoever deal from abroad in the US markets, failed as it was bound to fail. The Securities and Exchange Commission of the US, has given up its 1984 doctrine of "waiver by conduct" according to which the purchase or sale of securities on a US market can be deemed to imply consent of the foreign dealer to disclosure of relevant information in US administrative or judicial proceedings, regardless of any foreign secrecy laws.

Instead, they offer full administrative and judicial assistance in the US to authorities of other countries investigating infringements of their own securities rules. They do so in the hope that other countries will reciprocate, recognising that without international co-operation they cannot enforce their standards against fraudsters who have no assets within their jurisdiction and never set foot in the proximity of the market in which their deed was done.

Another consequence of the global securities market is the belatedly recognised impossibility of operating such a complicated and pedantically drafted set of rules as presented by the Financial Services Act. The Government now appears to be inclined to reduce it to some 100 principles. This may well prove to be 98 too many. One might do better by repeating that to deceive the customer for gain is fraud on the part of the dealer, and that no one can serve two masters, however many Chinese walls there are in his house. Even the most devoted adherents of the present fashion of statutory drafting now agree that the multitude of variations in securities fraud can be better prevented by the enforcement of a few simple principles than by a confusing web of pedantic rules creating just so many loopholes.

There are many instances of global markets requiring an internationalisation of law and its enforcement, but none so urgent as the need for a world law to keep the earth's environment in a fit state for the survival of mankind. The EC Transfrontier Directive could do something to regulate shipments of dangerous waste across the internal frontiers of the Community and their imports into the Community. But the Community is too small to deal with the poisonous or other harmful substances released into the air. Who would have said 10 years ago that this is a matter for which a British Cabinet minister will seek a solution in talks with the Chinese. Even lawyers must now recognise that we live in one world.

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Pop goes graffiti

William Packer on Warhol, Basquiat and Schnabel

Basquiat/Warhol "Collaboration," 1985

Andy Warhol died early in 1987 at only 57 years old, but already a representative celebrity of the age, standing not merely for himself but for the times he lived through. His reputation as an artist within the art world stood as high as ever; and if a wider public was more sceptical in the view it took of his work, it had no doubts as to fame he had won simply for being himself. His influence was real enough yet oddly insidious and hard to define, for while he remained ever oblique, impassive and ironical in his own work, he was also an example and stimulus to other artists.

One of the younger artists he befriended and encouraged in recent years was Jean-Michel Basquiat, one of the so-called graffiti painters of New York who enjoyed such a *succes fou* in the early 1980s. He too died, at 27, last August. He had an undoubted if superficial graphic gift, his line febrile and energetic, his imagery, with its cartoon grotesquerie and unself-conscious simplicity and directness, often funny and sometimes rather touching.

But such a scatter of images, that might suitably sit on the limitless expanse of a long, public wall to be read incident by incident as one passes by, could only seem arbitrary when held within the conventional limits of the canvas. But into the galleries went the canvasses, closely followed by the collectors and curators.

In his later work, however, there were signs that his painting, with no loss of character or energy, was developing, becoming richer and tougher in the handling, and more dense in composition and imagery. Certainly the paintings shown at Bosc in Dublin in the summer, sadly coincident with his death, were his most interesting yet. Or rather the most interesting until now, when the collaborative paintings of Warhol and Basquiat are filling three of London's galleries at once – the Mayor Rowan Gallery (31a Bruton Place W1), the Mayor Gallery (22a Cork Street W1) and David Grob Ltd (4th floor, 20 Dering Street W1) – where they remain on show until January 21.

Their collaboration extended over 1984 and 1985 as a kind of active painterly dialogue with each responding in turn to what the other had done on the canvas, changing, modifying even obliterating. Basquiat's directness of approach provoked Warhol into returning to more direct methods himself, leaving the impersonal screen for paint and brush, but the more profound effect was worked on Basquiat by Warhol, whose sense of structure and command of scale underpin the whole exercise.

The results are engaging, impressive and often very funny, with Basquiat's presence always the more obvious, Warhol's characteristically the more sibylline. Warhol sets the stage for Basquiat to act upon, putting up his labels, slogans and popular icons for his younger colleague is to improvise upon. Here is a motor-bike beset by what appear to be three primitive figures that may be martians or savages. And here are some bowls of fruit and a wonderfully demented mask. Layers of slogan and image are finally resolved into a dog or donkey on a red field beneath the legends: Subway Fire and Soviet Spy?, Cats, Mickey Mouse, Mayonnaise, The Eiffel Tower, a Red Dog – so the fun and games continue.

In the catalogue, Keith Haring, another young painter and friend of both of them, speaks of their collaboration as "two amazing minds fusing together to create a third, totally separate and unique mind," which is rather to over-egg the pudding. When he says "The sense of humour which permeates all the works recalls the laughter which surrounded them while they were being made," he is much nearer the mark.

★

Meanwhile, at Waddington Galleries (11 & 34 Cork Street: until December 23), another star of the New York firmament, Julian Schnabel, shows his latest works. They are no disappointment, for they are no surprise. The problem with Schnabel, or rather the problem for Schnabel, is that he cannot paint, which for a professed painter is always tricky. His solution is as bold as it is transparent and we can only admire his nerve.

The thing is, first, to work on the largest scale: any large canvas is impressive, the more so when set into an old, heavy and handsome frame. Then the surface must be distressed in some way, so that to paint at all becomes remarkable. So it is with his broken crockery paintings which here carry a series of large, simple and crudely painted heads. It is the old story again of Dr Johnson's dog on its hind legs.

The work in the corner gallery is even more dubious, so evidently devoid is it not merely of any pictorial charm or technical facility, but of any discernible point. A print pasted at the centre of the huge canvas, a smear of paint and a daubed slogan – la Banana e Buona – and that is about it. The largest, emptiest canvas is called "Apes, Men and Morons," which says it all.

The Fairy Queen

MIDDLE TEMPLE HALL

Purcell's "semi-opera" is generally despaired of as one of the more frustrating mirages of English lyric theatre – a compendium of musical glories, each number richer and more dramatically potent than the last, married to a misshapen, shortwinded libretto. Every time it is announced for performance one's heart leaps, and in almost every experience joy is tempered by ultimate disappointment; for in concert performances the loss of the spoken passages shortchanges Purcell's supreme theatrical sense, while in most fully staged realisations the essential imbalance between the greatness of the music and the poverty of the 1690s "improvement" of Shakespeare's *Dream* proves hard to correct.

So the student *Fairy Queen* production, performed three times in Middle Temple Hall this week, intensely enjoyable and delightful all the way through, was something of a miracle. The hall itself, with its strong Shakespearean associations, may have provided the benediction, for at the second performance, on Tuesday, the work seemed to be holding together more surely and vigorously than I can ever recall it doing before. It was the product of international collaboration – singing (also dancing) and acting students from the Guildhall School, the Baroque Orchestra from the Hague Royal Conservatory, William Christie (of Les Arts Florissants renown) as conductor, Robin Midgley as producer in the simple, practical, aptly stylish designs of Clive Lavagna. The sponsors were Linklaters & Paines; the same forces will give two Hague performances next week.

The chief strengths of the production were the brilliant dramatic vividness Christie and his band found in every bar, and the burning conviction of all on stage that (in spite of those horridly nugatory emendations of Shakespearean language, those feebly motivated interruptions of the play for masque and tableau) the vehicle really can move, not creak, forward. In context, such perfect masterpieces of song as "If Love's a Sweet Passion" – surely one of the most erotic inventions in English music – or the Plaint gather new long-range power; and because of the joyously unconstrained occupation of the stage space that Mr Midgley had inspired, there was a seamless mesh of song and speech.

Perhaps one noted a slight discrepancy in technique between the student singers (none of whom seemed have attained the last degree of vocal dexterity in coping with their solos) and the mostly far more polished student actors (among whom the hardhanded men, wonderfully loosejointed and eccentric, particularly stood out – William Ashcroft, a raucous North Country cherub of a Bottom, is a comic star in the making). On the whole, though, the experience was something of a revelation. I hope representatives of our larger professional opera companies did not miss out on it.

Max Loppert

Bottom's Dream

SADLER'S WELLS

London Contemporary Dance Theatre's new programme this week brings three creations from the company ranks: welcome proof that as it enters its third decade, LCDT is still making fresh dances as well as dancers. Chief interest must be accorded to Jonathan Lunn's *Bottom's Dream*, which I take to be a revision of an earlier workshop piece. It is set to Mozart's "Dissonance" quartet, and applies the ideas of discord and its resolution to the matter of human relationships. And especially, we infer, to those which fuel the action of *A Midsummer Night's Dream*. But we should not seek for literal correspondences with the play: the four couples – and especially Anne Went and Christopher Bannerman – inhabit a world of unsatisfied and unresolved tensions whose release comes with the quartet's last movement.

Mr Lunn exposes these emotional dilemmas in the most fluent and assured choreography I have yet seen from him, the dance having a fine nervous edge as embraces dissolve in disillusion, demands remain unanswered, appeals are rejected. It is quirkily dressed – the cast acquire clothing as the action progresses – but admirably and expressively danced.

For Christopher Bannerman, Satie's *Trois Gnossiennes* evoke moments from some forgotten ritual. Tracey Fitzgerald, Andrew Robinson and Kenneth Tharp move with a trance-like serenity, a simple gesture – a pointed finger, a hand bent back – acquiring a mysterious significance. It is like looking at a fragment from an antique fresco which hints at unguessable rites.

Darshan Singh *Bhuller's Interlock* might also be part of a fresco: one of those Indian erotic scenes in which divinities perform prodigies of athletic love-making. Mr Bhuller and Anne Went are driven and inspired by sitar music to passionate and sculptural extremes, moving, then congealing, with sinuous freedom.

There is not much movement in Daniel Larrieu's *Good Morning Monsieur*, which boasts an unpunctuated title and little else. I am increasingly of the belief that some French choreographers think modern dance is an excuse for unbridled cuteness. Larrieu brings on 11 dancers, wearing shirts and club ties and rather Balinese-looking trousers, and while a harpsichord unpicks some Couperin, his cast stand about and look quaint as they posture in a witless fashion. Dance they do not. The piece could be useful as remedial therapy in other surroundings; as choreography for LCDT it is a non-starter.

Clement Crisp

The Churchill Play

BARBICAN THEATRE

When first performed at the Nottingham Playhouse in 1974, Howard Brenton's futuristic dystopia projected the Government's internment policy in Northern Ireland onto the British mainland, where wholesale political disaffection would lead not to change and improvement, but to chaos and a curtailment of civil liberties. The year of this pessimistic fantasy was 1984.

The Royal Shakespeare Company revived the play in 1978, still peddling a half prophecy born, you could say, of left-wing paranoia and disenchantment. The piece now arrives on the main Barbican stage, set in an unspecified future but now angrily riddled with "We told you so."

When the prison camp inmates botch their break-out while performing a de-mythologising Churchill play for a visiting House of Commons Select Committee team, the old journalist Joby Peake mutters, à propos of the overflowing prisons and the loss of freedom, "And I never noticed." Before, it was World War Three.

A lot has happened here in ten years, and it is a mark of the play's vitality and strength that it can absorb the changes and retain its power as a dramatic parable. The dumping of dissidents in British asylums or concentration camps is not on the agenda. But not, a year ago, was the banning of media interviews with members of Sinn Fein, nor the privatisation of prisons.

Brenton's play takes the European example of Gunter Grass's plebeians rehearsing the uprising, and of Peter Weiss's revolutionary inmates enacting the death of Marat in a tin bath for their aristocratic guardians. In Brenton's tin bath, the prisoners playing Churchill and Stalin recreate the Yalta Summit, with the pathetic figure of Peter Reece (Sean Baker), arrested that morning for nothing he knows about, cast as a slippery bar of soap representing truth.

The Churchill camp is the nineteenth "special training centre" in Britain (we had 28 before), a cavernous aircraft hangar in Lincolnshire well suited to the brutalist environs of the Barbican itself and designed on the big scale by Kit Surrey with head-banging walls of corrugated iron and piles of green oil cans.

The structure of play-within-play, a complex prison scenario with fragrant marginalia of privileged life outside, as well as the accumulation of vividly reminiscent testimony among the inmates, allied to a study of the insidiousness of euphemism, make this Brenton's most remarkable achievement to date.

Barry Kyle's production is strongly played from the minute Colin Welland's Joby/Churchill rises from his catafalque en route to the Blaydon churchyard in 1965 and demands a light for his cigar. The play's best re-writing pulls off a stunning juxtaposition between Churchill's political drive through childhood unhappiness and a fear of contracting the syphilis that destroyed his father, and Joby Peake's decline. Welland pulls this off with great power, rendering each story a facet of the same tragic, regretful character.

Before, Joby was a Derbyshire journalist who had struck a policeman on a picket line. Now he is an editor who defied the journalists' union by working for a new foreign owner and who then upset the Government by printing a "dirty tricks" story about terrorism. Unknown to him, his son was in MI5. The police turned over his office, removing documents in cardboard boxes. Every possible Act, from Official Secrets to Anti-Terrorist, was thrown at him, and he was sent to the camp for the good of his health.

Other changes include the bitter outburst of Geoffrey Freshwater's superbly executed bullying Sergeant, a Falklands veteran whose vileness is sanctioned by the respect of a new age. And the closure of Leeds United after drug-crazed hooligan supporters known as "Inter-City Redeemers" have bombed a bridge on the M6 causing extensive loss of life.

Phil Daniels and Richard McCabe are red hot as a couple of interned wild boys, while Ian Barritt as an appeasing Colonel and Ian Fleet as a tortured liberal army doctor fully articulate another of the play's great themes, the wielding of authority in times when the pattern of life to which such authority refers, some sort of moral and civilian consensus, has completely disintegrated. Herein lies the play's richness, herein its disturbing metaphorical significance.

Michael Coveney

Electric Lontano

ST JOHN'S, SMITH SQUARE

Lontano's array of "Expatriates" at St John's on Tuesday offered the kind of experience that causes the most devoted supporters of contemporary music to question their faith.

The audience could be numbered in dozens, and few concert halls are bleaker when sparsely inhabited. Sixty-five minutes of music were contained in a concert lasting two and a quarter hours, and only one of the four works made any kind of positive impression.

That bright spot was Alejandro Vinao's Triple Concerto, in which flute, cello and piano conduct a dialogue with computerised versions of themselves in very precisely synchronised exchanges.

It's successful partly because Vinao resists the temptation to over-complexity, keeping the live instrumental lines straightforward and the carefully contrived sonorities therefore transparent, and partly because he has devoted just as much attention to the overall shape of the piece, giving a satisfying and easily apprehended three-part structure.

Neither of the other works that attempted to combine live instruments with synthetic sounds approached Vinao's success. Javier Alvarez's *On Going On* pitted a baritone saxophone or a "wind controller" against its computerised *Doppelgänger*, in a jagged monody that was surrounded by Birtwistle-like spikiness – diverting at first but failing to live up its initial promise.

The London première of Denys Bouliane's *Comme un silene entr'ouvert* set alarm bells ringing with the pretentiousness of its title and its programme note, which promised material oscillating between "poly-metrical exploded form" and "pseudo-metrical melismatic variations."

It proved to be a clotted battle between two instrumental trios each equipped with its own conductor, a piano and a tape, in which the exchanges seemed purposeless and which evaporated in the most sickly-sweet piano solo. Not for the squeamish.

Daniel Asia's *Dream Sequence 1* for solo amplified trombone at least had the merits of brevity and some wit. The composer describes it as the dream of a fictional trombone player, but what new-music trombonists dream about apparently seems very much the same as they are required to perform, post-Berio, in their waking lives – to caress, serenade, chastise and generally arouse their instruments in a display that could hardly fail to have its humorous moments.

David Whitson was the excellent dead-pan soloist, but even he could not convince one that the evening might not have been more profitably and infinitely more amusingly spent at home, watching the nth repeat of *Fawlty Towers*.

Andrew Clements

A Question of Geography

THE PIT

It is strange that the RSC has recently given us mediocre Chekhov. John Caird's production of this glimpse of life, by John Berger and Nella Bielski, in the Stalinist Gulag has moments of rich texture when the worn fabric of real life, with its past as much as its present, is almost tangible. The temptation to use the term "Chekhovian" recurs.

There is the occasional clumsiness in the play's construction. The contents of the letter written by the long-lost husband in his distant labour camp are read by a disembodied voice as a spotlight illuminates the envelope. Sonia Ritter has the unnerving ordeal of making her first, and only, entrance as an unknown woman late in the evening to launch, cold, into a mad scene – an episode that anyway smacks of dramatic contrivance. But the whole performance has a moving compulsion about it; and the accepted day-to-day horror of existence in the world of the camps where gossip and counter-gossip bravely fight off the prospect of another round of mass arrests and disappearances.

Seen last year at Stratford's Other Place, Sue Blane's designs take easily to the concrete wilderness of the Barbican and its studio theatre. The costumes are beautifully judged, from the steel-capped working boots to the pathetic fox-fur that prisoner Lydia (an ex-factory manager, in for sabotaging the national economy) dons for the weekly film at the Cultural Centre.

The "normal" life that humans battle for in hopeless circumstances is the play's burden. Telling details abound. Stalin is never mentioned; but when a teenager visiting his imprisoned mother suddenly bursts out with "He's going to die. He's not immortal. Then everything will change," everybody understands. The little cubicle made of hardboard as an improvised guest room for the boy has its door easily lifted off its hinges in an angry argument; and we are aware that a taboo has been broken; the illusion of privacy and dignity must be maintained.

Harriet Walter's ineffably moving mother glows with life. Her first meeting after 15 years with the child she left as a baby is unbearable in its restrained intensity. They stand at either end of the room as hope, regret, longing and joy pass over her face. She cautiously touches his face in the subsequent scene, but a final, anticlimactic embrace follows much later. Her dignity as she prepares for the labour camp and oblivion is overpowering – full marks to Guy Fithen and Richard Leaf for not overdoing the brutality and stupidity of the guards. Full marks too to Susan Coverd's Lydia, Clive Russell's weary doctor and Linus Roache, the boy who visits and decides to stay. The French Revolution's Terror was relatively short. How long has the Soviet Terror lasted? And is it really ending?

Martin Hoyle

ARTS GUIDE

November 25-December 1

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists of the 20th century. Ends Dec 11.

The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department. Ends Jan 17.

The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. Ends January 8.

Paris

Musée de Cluny. Medieval art in Paris. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes.

Grand Palais. Seicento. Caravaggio's century in French collections. A dramatic production by Pier-Luigi Pizzi. Closed Tue, late closing night Wed (42.56.09.24). Ends Jan 2.

Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselitz. Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Steinberg, Rocter, Edzgveradze, Filatov, Chvikov, Yankilevsky. Closed Monday. Ends Dec 31.

Musée d'Art Moderne, 1-2 Place Royale. The First Group of Laethem-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31.

Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks largely from collections in Belgium, China and Britain which illustrate Chinese innovations in science and technology. Closed Monday.

Darmstadt

Hessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. Ends Jan 29.

Vienna

Historisches Museum der Stadt Wien (The city of Vienna's Museum for History). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.

Secession The Austrian painter Walter Eckert is now on exhibition until November 20. Worth also seeing Gustav Klimt's famous Frieze now back in its original place.

Messepalast. Post-war Austrian sculptures include Alfred Hrdlicka, probably the country's most celebrated artist. His work along with several of his contempories are on display for several more weeks.

Rome

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. Until January 31.

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. Ends January 15.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring physical beauty into sacred art. Until Dec 8.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

Chicago

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development, divided into sections on draughtsmanship and architecture. Ends Dec 11.

Tokyo

National Museum. Treasures from Horyuji. A selection of priceless artefacts from the great temple in Nara, donated to the Imperial Household 110 years ago and housed at the National Museum since 1964. Closed Mondays.

National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. Closed Mondays.

Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career. Closed Mondays.

SALEROOM

Demand more selective

Sotheby's major Impressionist and modern picture sale on Tuesday night was a faded carbon copy of Christie's the previous evening. Sotheby's had no masterpiece like Picasso's "Acrobate et Jeune Arlequin," which sold on Monday for a record £20.9m, but once again the good expensive pictures found buyers while there was little interest in second rate paintings, even by big names. The auction totalled £38.8m, but with 22 per cent unsold.

The market is in a fickle state at the moment, which was well illustrated by the comparative lack of interest shown in the collection of the late Gisèle Beghin-Rueff which was dispersed before the main auction. It brought in almost £8.2m, but with a worrying 29 per cent unsold. High reserves had been set in the summer and since then demand has become selective. Still a Renoir head of a young girl sold to Seibu, the Japanese department store, for £1.98m.

It was Seibu that also paid the top price of £5.72m for one of Monet's many versions of water-lilies. There was steady Japanese buying, including the record price of £1.65m paid for "Nekropolis" by Paul Klee. The Japanese, who also acquired the Picasso at Christie's, had not been prominent in the important November sales in New Yorkbut they made up for it in London.

Sotheby's continued yesterday with second division pictures in the same field and brought in £10.9m, with 20 per cent unsold, suggesting that there was still selective buying. There were two worthwhile records – £209,000, double the estimate, for a Rembrandt Bugatti bronze of four 5 inch high elephants, on a marble base, one of an edition of twenty, and £176,000 for an abstract, "Trois figures," by Jean Hélion.

There was some Japanese buying, (a Foujita of a nude with animals made £242,000), but the top price, £286,000, was paid by a European dealer for a Utrillo of the windmills of Montmartre. Another Foujita, of two women with their babies, sold to an anonymous buyer for £264,000.

Sotheby's had better luck selling Bo Boustedt's collection of 26 Henry Moore bronzes, hand made as maquettes for larger sculptures, than Christie's had disposing of Lord Walston's Moore watercolours on Tuesday. All sold, for £1.5m. London dealer Leslie Waddington bought five, paying £82,500 for "Reclining figure No 6" executed in 1954 as an edition of 12. Top price was £192,500, double the estimate, which secured a maquette of a 1956 seated figure against a curved wall, one of ten.

Antony Thorncroft

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Thursday December 1 1988

New realism about 1992

THIS WEEKEND'S European Community summit in Rhodes marks the half-way point in the timetable for creating a single market and ought to be an occasion for modest celebration of progress achieved to date. Instead, it looks as if EC leaders will be lucky to avoid acrimonious squabbles.

The most obvious source of potential friction is Mrs Thatcher's neo-Gaullist stance on the Community's future development. However, this is not just another case of Britain versus the rest of the EC. Much as other leaders criticise her views in public, several are also growing nervous about the challenges which the logic of integration poses to national interests and prerogatives, particularly in economic policy.

In industry, too, euphoria about 1992 is yielding to a sober realisation that there will be losers as well as gainers. Warnings are multiplying that increased competitiveness will entail painful restructuring, which will weed out the weak and inefficient. Predictably, demands are increasingly being made for "transitional" trade protection, particularly against Japan.

The clear message is that the EC's honeymoon with 1992 is ending. The easiest parts of the programme have already been agreed. From now on, the going will be rougher. Mr Jacques Delors, president of the European Commission, seems already to have recognised this. A few months ago, he was seeking to pile the 1992 bandwagon with extra baggage, such as a "social dimension" and a European central bank. Now, he is talking not of great leaps forward but of step-by-step advances.

EC-wide competition

These signs of a new realism are welcome. The emphasis now should be on ramming through those elements of the 1992 programme which will do most to unleash EC-wide competition and pit market forces against political obstructionism. The first priority is to ensure EC governments fulfil their pledge to liberalise capital movements. Britain's experience suggests that once capital can flow freely it creates irresistible pressures for the deregulation of national financial markets. Risks of increased currency instability should be dealt with by organic evolution of the European Monetary System, not by hastily imposing new institutional structures, such as a European central bank.

The EC must also agree on a formula for dismantling internal border controls. Failure to do so would rob the single market idea of much of its meaning – and of popular support. This central point has been obscured by dissension over Brussels' proposals for harmonisation of indirect taxes. A solution will call for imaginative diplomacy and a readiness to compromise, above all by the Commission and the UK.

Public procurement

Firm pressure must be kept on EC governments to open up public procurement. Protectionist national procurement imposes massive economic costs, perpetuates fragmented and inefficient industrial structures and underpins divergent national standards. It is equally important that, once markets are liberalised, Brussels ensures they remain genuinely competitive. That will require vigorous enforcement of EC competition rules to curb state aids and to prevent companies from using 1992 as a pretext to create cartels or monopolies at the EC level.

The strongest guarantee of all, however, is for the EC to maintain a liberal external trade policy. Here, the commission has failed to exercise the firm and enlightened leadership it has given on the internal aspects of 1992. Instead, it has resorted too often to protectionist sabre-rattling.

Such posturing risks encouraging weak European industries to believe they will be shielded from world competition. It is also a threat to the multilateral trading system, now in a decidedly delicate condition. The EC must show that protection is not what it thinks 1992 is all about. This weekend's Rhodes meeting provides an opportunity, just before the General Agreement on Tariffs and Trade review meeting in Montreal, to do so.

Response to the Palestinians

THE US State Department's refusal of a visa for Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, has provoked understandable anger in the Arab world and concern in Europe. But it would be a pity if the current furore were to eclipse the prospects for serious diplomatic activity involving the Palestinians in coming months.

In barring Mr Arafat from visiting the UN General Assembly in New York this week on the grounds that he is an "accessory" to terrorism, Mr George Shultz, the outgoing Secretary of State, has done no service either to the Middle East peace process or to Washington's frequently troubled relationship with the United Nations.

Conditions

The irony is that the US decision came less than two weeks after the Palestinians took a big step towards fulfilling some of Washington's conditions for involving the PLO in peace negotiations at their Palestine National Council meeting in Algiers. But Mr Shultz's move is not the end of the story. It seems likely that Mr Arafat will be able to address a General Assembly debate in Geneva next month.

Few observers would dispute that the PLO said something significant in Algiers. What is at issue is the distance that the PLO has moved towards fully accepting Israel and renouncing violence, and the proper practical response from the West.

Certainly, the PNC statement could have been more explicit in its acceptance of the Jewish state, and more clearly-worded in general. But its call for an international peace conference on the basis of UN Security Council resolutions (242 and 338) which acknowledge Israel's right to exist in peace behind secure borders, coupled with those calling for Palestinian self-determination, is unambiguous. The PLO could scarcely have been expected to abandon the quest for Palestinian national rights which is its raison d'etre, or unilaterally to declare a moratorium on violence in the Israeli-occupied territories of the West Bank, Gaza and southern Lebanon before there is even a prospect of negotiations.

In adopting its new programme, the PLO was under no illusions about the considerable procedural obstacles that continue to block the way towards talks, not least among them the stiff US conditions for its participation and the opposition of Mr Yitzhak Shamir, Israel's Prime Minister, to any international conference.

But the most important result of this month's statement is the way in which it has helped to clarify some of the *substance* of an eventual PLO negotiating position. Notwithstanding this week's setback, Mr Arafat has asserted himself as a credible representant context of the Palestinians within the occupied territories, whose demand for self-determination – a demand fully supported by the EC but not by the US – will inevitably have to be taken into account in any settlement.

Exactly how Palestinian national aspirations are to be satisfied is a matter for negotiation. Clearly, Palestinian sovereignty in any independent state would have to be circumscribed by comprehensive, externally-policed security guarantees, and conceivably by some form of confederal arrangement with Jordan.

Uprising

But the uprising of the last 12 months has shown that agitation for a Palestinian homeland is not going to evaporate. It is up to the West to ensure that this demand is expressed in the form of a moderate, realistic Palestinian negotiating position. As a first step towards bringing America's Middle East diplomacy out of its current cul de sac, Mr James Baker, the incoming Secretary of State, ought to be able to come up with a more encouraging gesture towards the PLO than that bequeathed by his predecessor. And before President-elect Bush takes office in January, EC member states could usefully send some further practical, positive signals of their own.

David Marsh talks to Edzard Reuter, chairman of Daimler-Benz

A new chapter in the skies

Edzard Reuter: unable to conceal a sense of adventure over the MBB deal

Like many men with a famous father, Mr Edzard Reuter, chairman of West Germany's motor conglomerate Daimler-Benz, has a strong sense of history. Now, on the verge of clinching the acquisition of a 30 per cent stake in Messerschmitt-Bölkow-Blohm (MBB), the country's biggest aircraft group, Mr Reuter is himself writing a new chapter in the annals of German industry.

After more than a year of complex negotiations with the Government in Bonn, Mr Reuter is doing much more than make Daimler-Benz – already the largest company in West Germany – a bit bigger still. By bringing together under the Mercedes star the bulk of West Germany's defence and aerospace activities, Mr Reuter is taking on a corporate challenge unmatched in post-war Germany.

Mr Reuter, now 60, is the son of Ernst Reuter, still remembered as mayor of West Berlin after the Second World War. In an interview last week at his headquarters in Stuttgart, he was in a cautious mood. A man of quiet intellect who looks like a grizzled, mature student, he was anxious to underscore Daimler's new risks and responsibilities. Commenting on the widespread view that Daimler will be acquiring a sizeable cash generator in MBB's military turnover, he said: "We are not very happy about the impression in public opinion that Daimler is receiving a gift."

But as he says he sleeps soundly five to 12 hours a night (the latter when he can get them). And he cannot conceal his sense of adventure, particularly when talking about the European dimension of the MBB deal.

There is plenty of adventure ahead. Daimler-Benz is still working hard to complete the digestion of majority stakes in the AEG electrical group and the Dornier aircraft company as well as 100 per cent of the aero-engine maker Motoren-und Turbinen-Union (MTU), all acquired in 1985 in the first round of its diversification drive.

Now, Mr Reuter faces a further formidable effort in absorbing MBB. The sprawling aerospace and technology group, born from a series of mergers in past decades, has suffered for years from poor management and inadequate capital backing. There will be particular difficulties in integrating MBB with Dornier: Daimler has already been squabbling with Dornier's minority shareholders.

Mr Reuter admits there is scepticism over the deal within Daimler itself. This is true both at the level of the supervisory board – where all the trade union representatives opposed the takeover when it was put to the vote three weeks ago – and also on the management board.

"The task of bringing about a new structure is going to be a difficult job, spread over several years, tying up management capabilities and also costing a lot of money," he says. "I estimate the process will take about five years."

He has also to tackle ferocious political controversy in the federal republic over Daimler's growth into a group which, with MBB, will have turnover of around DM 80bn (£25bn). About 60 per cent of activities will still be based on the motor industry, with defence making up 10 per cent – ranging from military aircraft to radar, missiles and small naval ships.

The industrial concentration represented by the prospective conglomerate, together with its position as the biggest German armaments group since the Third Reich, has raised opposition from both right and left on a mixture of free market and moral grounds.

On the international scene Mr Reuter wants to use Daimler's authority to help improve European co-operation in defence and aerospace. The aim is both to stand up to US competition and to promote the European integration which the European Community is trying to foster with the 1992 internal market programme.

By enthusiastically playing the European card, Mr Reuter is trying to quieten the domestic uproar over the MBB deal which, he argues, results from public opinion taking too narrow a view of the aerospace market.

He has his eye above all on bringing more private sector corporate influence into the four-nation European Airbus venture, in which MBB is the German partner with a stake (like Aerospatiale of France) of 37.9 per cent. To attempt to reduce the decision-making importance of governments, Mr Reuter suggests that European aerospace companies should link up through a network of cross shareholdings. Aerospatiale already owns 10 per cent of MBB, while Daimler took a stake of just under 5 per cent in the French electronic and defence company Matra last year.

Mr Reuter is to meet Professor Roland Smith, chairman of British Aerospace, in the next few weeks – probably at the beginning of the new year – to discuss the idea of cross shareholdings and other matters. BAe is sceptical about any idea of financial links, but is likely to give clear backing to Mr Reuter's efforts to improve efficiency at the Airbus Industrie consortium.

Partly because Daimler will now have some extremely strong cards to play, Mr Reuter also backs the idea of opening up the fragmented European defence procurement market. "This is absolutely essential. It is wrong in principle to go on as we have been doing before. We have been saying that we are in an international defence community, but we are afraid of sacrificing national defence industry interests."

The highly charged political atmosphere surrounding the Daimler-MBB talks has plainly left its mark on Mr Reuter, who took over the chairmanship in September last year after the ousting of his predecessor, Mr Werner Breitschwerdt.

Following in the Social Democratic Party footsteps of his father, Mr Reuter has been a member of the SPD since 1946. Although he stresses he does not play an active political role, he might have been given the job of Finance or Economics Minister if ex-Chancellor Helmut Schmidt had remained in power after 1982. It is therefore ironic that a lot of the criticism heaped on Daimler in the last few weeks over the MBB deal has come from the SPD.

In view of his father's persecution by the Nazis in the 1930s, which forced the family along with young Edzard to flee to Turkey, Mr Reuter has been disturbed to see the Daimler-MBB link portrayed by some in Germany as representing "a revival of fascism."

"I am unhappy (over the campaign against the deal). On the other hand, it gives us the chance to clear things up. Perhaps it is not such a bad thing that there is a discussion in Germany which forces us to recognise that we are part of a defence alliance. And perhaps it is also a good thing that we have a discussion about the importance of Europe and what it means for us," he says.

The Government in Bonn this month finally approved the financial terms allowing Daimler to go through with the MBB deal. These centre on a DM 4.3bn exchange rate guarantee up to the year 2000 to shield Daimler from some of the risks involved in MBB's stake in the Airbus.

But Mr Reuter stresses that the final decision on going through with the takeover will only be made if Daimler is given a free hand to carry out restructuring at MBB. Daimler is negotiating these points with the states of Bremen, Hamburg and Bavaria, which own 52 per cent of MBB and all have MBB plants on their territory. "We can in no way accept a solution which would allow regional political interests to block necessary corporate decisions," he says.

Underlining that "all participants agree on the need to clear up the affair by the end of the year," Mr Reuter says that Daimler wants an option to take a 51 per cent stake in MBB to cover the eventuality that 30 per cent is not enough to push through decisions. And he rejects the idea that the tough line he has been taking all through the negotiations has represented a skilfully played hand of poker.

"The word is not appropriate because this entails an element of bluff. I set down from the start the conditions for us to participate in this project. That was never negotiable. I am still not sure today if all those conditions can really be fulfilled."

Apart from the question of maintaining freedom to streamline MBB, the other main condition has centred on the risks affecting Airbus. Mr Reuter has said all along that, since Airbus is heavily dependent on European governments and is likely to be unprofitable until the year 2000, Bonn had to come up with exchange rate insurance to cover the risk of a further drop in the dollar, in which international airliners are priced.

He says he is content with the exchange rate agreement. If, over the next decade, the dollar falls below DM 1.60 – the value below which the Government will no longer cover currency losses – Daimler-MBB would have to consider increasing purchases of components from the dollar area.

The dollar has recently been hovering just above $1.70. Mr Reuter does not go as far as his friend ex-Chancellor Schmidt, in predicting a rate of DM 1 to the dollar in coming years, but is not optimistic about the future strength of the US currency. So part of Daimler's strategy will be to source far more aerospace components purchases abroad, either from the US or south-east Asia.

Mr Reuter adopts an optimistic tone about two possible hurdles to the deal with MBB – the Federal Cartel Office and the trade unions. He says he can "understand emotionally, but not with my reason" the point made in the past by Mr Wolfgang Kartte, president of the Cartel Office, that Daimler's size could enable it to become over-dominant in West Germany. "I know that the Cartel Office is a lot more modern than is often thought. I am confident that it will also examine the MBB stake from the viewpoint of the European market."

Arguments against the deal from IG Metall, the metal workers union, "have to be taken seriously" but are "essentially political", he says. "In the factual discussions which we have held on a non-official level, I have never heard a serious argument against our ideas" – including, he says, from Mr Franz Steinkühler, the IG Metall chairman, who is a member of the Daimler supervisory board.

Mr Reuter adds that the chairman of the MBB works council has told him in the last fortnight that MBB union representatives will co-operate fully over future plans. "We have always said that it is certainly possible that in some sites, jobs will be lost." But, he says, "if it is true that this industry (aerospace) has great growth chances, then job losses in some areas will be compensated by growth-induced increases elsewhere."

A harbinger of the shake-up possibly on the way at MBB came earlier this month with the appointment of Mr Jürgen Schrempp, aged 44, as the chairman of Daimler's new Deutsche Aerospace division, which will own the stake in MBB.

Mr Schrempp has no aerospace experience and is currently sales director for commercial vehicles. "It is important that Mr Schrempp can approach the work without preconceptions," says Mr Reuter. Indicating that welding together a new aerospace culture at Daimler and MBB could take as much as a generation, he adds: "From the point of view of his age, Mr Schrempp can accept his task as a long term one."

DAIMLER AND MBB TOGETHER

- Total turnover DM 80bn (based on 1988 estimated figures), of which:
- DM 50bn motor turnover
- DM 8bn defence technology
- Rest in electricals, electronics, engineering
- Total employment 380,000: Mercedes-Benz (vehicles) 220,000; AEG (electrical) 80,000 Dornier (aerospace); 10,000 MTU (engines); 17,000 MBB (aerospace) 38,500.

OBSERVER

Bicknell wins the prize

■ The report by the assessors on the competition to build the new British Embassy residence in Moscow reads almost as if the judges thought that none of the entrants deserved the award.

"Several entries did not respond fully to the brief. No single scheme could unanimously be acclaimed as outstanding and the winner was chosen by a majority decision," it says. "The lack of response in some schemes to the important context of Spasopeskovskaya Square is disappointing." And so on.

Julian Bicknell, who won, says that it is diplomatic language to conceal that the assessors – diplomats and architects – were divided. In fact, he is delighted with the award. It is the first time that British architects will build in Moscow for over 50 years and renews a tradition that goes back well before the October Revolution.

Nothing has yet been said about the cost, however; nor has the Foreign Office reached an agreement with Moscow about the timing. That depends on what the Russians want to do in London.

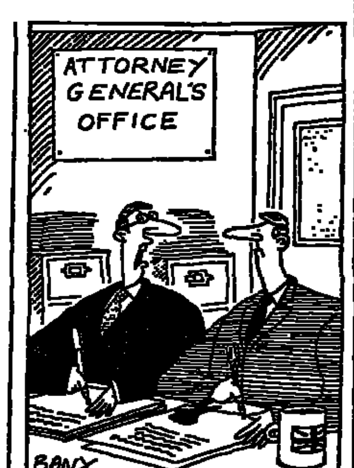
Trafalgar man

■ John Ansdell stopped working as Group Finance Director at Hepworth Ceramic yesterday and starts as Finance Director at Trafalgar House this morning. Although he was head-hunted for the job five months ago and agreed to the offer in a matter of days, he says that there is no time to take a holiday.

Ansdell is 42, and his background international. Before his 3¼ years at Hepworth, he was chief executive for the Merck chemical interests in New Zealand, and before that European Controller for Ashland. He read economics at Manchester and became an accountant. At Hepworth he was part of the team that raised profits and made a number of acquisitions, including the Henderson Group.

It is a mixture of the international interests and the taste for takeovers that has led him to Trafalgar House. "Hepworth has a lot of exports," he said, "but not an international base." He says he is a man who likes "to change the culture of a company".

Will Sir Nigel Broackes and the old firm allow him to change the culture of Trafalgar House? "You know the answer to that better than I do," he says rather cryptically. Will Trafalgar House be going in for new acquisitions or divestments? "Well, it already has a significant base from which to develop for 1992." Between the lines the answer looks like "yes." Ansdell confirms what Broackes has already suggested: namely that the group will be watching the possibilities arising from the Water Privatisation Bill like a hawk.



"How do you spell extradition?"

A bit of LBJ

■ Not since Lyndon Johnson has a Democratic Senator risen so swiftly through the ranks to the position of Majority Leader as George Mitchell, the 55-year-old Maine Democrat who won an easy victory on Tuesday.

Mitchell, a former federal judge, only arrived in the Senate in 1980, and then as an appointee filling out the term of Senator Edmund Muskie, who had been called in by an embattled Carter Administration to take over as Secretary of State after Cyrus Vance's resignation.

Against the odds he won election in his own right in 1982 and then covered himself in glory when, as head of the Democratic Senatorial Campaign Committee, he helped to develop the strategy which saw 11 new Democrats elected to the Senate in 1986, the year the party regained voting control of the upper house.

It is a fair guess that some of Mitchell's support came from grateful freshmen Senators who would not be in Washington but for his political skills. Yet his victory is also a sign of just how badly the Democrats on Capitol Hill feel they need as Majority Leader a man who can blossom into a national party spokesman – a job Mitchell's predecessor, Robert Byrd, was never comfortable with.

Although somewhat earnest-looking, Mitchell showed during the Iran-Contra hearings that he can communicate effectively on television. And despite being a New Englander, he has managed to avoid being labelled a "liberal." His top priority will be to manage the Senate, something at which Byrd, with his years of legislative experience, was a past-master.

His elevation has meant inevitably that he is being mentioned as a Democratic candidate in 1992. At this stage it is safer to say that he is one of perhaps 30 possibles. But his name – previously not much known outside the US – has certainly entered the lists.

City fitness

■ If Observer fails to appear in its regular form tomorrow, put it down to a 1½-hour work-out at the Barbican Health and Fitness Centre. One is told that it hits you a day or so later. At the time it feels rather good – riding an imaginary bicycle and rowing an imaginary boat alongside Duncan Goodhew, the swimming gold medallist at the 1980 Olympics. Goodhew is a non-executive director.

The only problem is what to think about when doing the exercises, for 10 minutes fast pedalling in order to stay in the same place seems a long time.

There is little doubt, however, that the Centre, officially opened in August, has taken off. Indeed it is a veritable hive of activity and the atmosphere is happy rather than fanatical. Some bankers have to be virtually driven out when it closes at 10.30 pm.

There is an £800 joining fee for individual members, which can be staggered over a year, and dues of £35 a month. Corporate membership, for 10 or more employees, allows a 25 per cent reduction in the joining fee. David Giampaolo, the genial managing director, says that it is a company perk. The Centre may very soon be full.

Honest ad

■ Sign over a wooden kitchen chair in a Lambeth junk shop: "Genuine post-Chippendale."

ECONOMIC VIEWPOINT

Political economy of Thatcherism

By Samuel Brittan

With the tenth anniversary of Mrs Thatcher's tenure as Britain's Prime Minister looming next May, we are threatened with a torrent of books defining, interpreting, supporting and opposing something called Thatcherism. Robert Skidelsky has got in first with a book he has edited based on a series of lectures at Warwick University in the spring of 1988.

A good empirical starting point is that there has been no upsurge of support for Thatcherite values even in the years of electoral triumph. There are modest anti-permissive majorities on some social issues, although smaller than in 1974 when Labour won two elections. There have nearly always been solid majorities for extending welfare even at the expense of higher taxes. Privatisation is even more unpopular than attempts to ban Spycatcher, and the Government has enjoyed least support (20-30 per cent) in its opposition to corporatism. Most voters think that unions and business "should be involved" in decisions about the economy.

Why then is Mrs Thatcher in power with a commanding majority? To answer "divisions on the left" is a cop-out. But the approximately correct answer is pretty banal. The Conservatives won in 1979 on the Winter of Discontent, in 1983 on the Falklands, and in 1987 on prosperity.

The best explanation of what undermined the postwar consensus is given by Skidelsky in his introductory chapter. This is that the so-called Middle Way started to move to the Left in the 1960s and 1970s. The more dirigiste Middle Way led to increased union power which was accepted and encouraged in an unsuccessful attempt to buy pay restraint, which was not in the end delivered.

No apology is required for dwelling on these antecedents. Mrs Thatcher has clearly learned the lesson of not biting off more than she can chew. What would strike a Martian who had only read New Right literature was how little she has done to dismantle the post-war settlement in the NHS, social benefits or education below university level.

Patrick Minford, Professor of Applied Economics at Liverpool University, reminds us in his chapter that the Thatcherite Ministers concentrated on three limited economic objectives – mastering inflation, union reform, and privatisation in carefully selected and cautious *order*. But he is not enough of a political economist to see that the Prime Minister's hostility to the EMS has prevented final victory on the first issue, and has made necessary a second offensive.

There are also economic paradoxes. As Mr Minford emphasises, the success of the first attack on *inflation* – and I would add the roots of the productivity upsurge – lies in the *failure* of the intended gradualist programme and the administration of a short sharp shock via the exchange rate in 1979-81, which was completely unintended and due to policy errors.

The most interesting economic essay in Skidelsky's collection is that of Frank Hahn, precisely because Hahn rapidly moves on from Mrs Thatcher to more basic issues of political economy to which we shall have to return when the present fixation with the British Prime Minister has been long forgotten.

Hahn was one of the leaders of the famous group of 364 economists who wrote a public letter of protest at the government's economic policies in 1981. He explains that there is no fully formulated body of knowledge concerning "the behaviour of a market economy when it is not in a coherent state which we call equilibrium or, nowadays, rational expectations equilibrium." But Hahn happily concedes that left-wing interventionists are "equally incapable of getting their economics straight" on that kind of rigorous general equilibrium level.

He rightly says that the case for the market economy owes more to the political economy of writers such as F.A. Hayek and Joseph Schumpeter than to general equilibrium analysis. He also says that the more he studies the evidence the more convinced he finds Hayek's connection between a market economy and liberty. Even on the material side he accepts that a market system provides a better way of signalling and using dispersed information than any planner can.

Indeed Hayek himself has just produced at 89 an important new statement of his general position. Instant reaction to a book which ranges from evolution to religion and ethics in its account of spontaneous non-designed systems would be wrong.

But there is, nevertheless, as Hahn says, a sense in which Hayek "gave up too soon." It is certainly possible, as Hahn suggests, that conscious economic policy might improve the information signalling properties of a market economy – although not, please, by following Hahn's recommendation of "instructing state managers to act as they are supposed to do in the textbooks." I have tried to explain in my own writings why you do not make a donkey into a zebra by painting stripes on its back.

I have also tried to test principles taken from Hayek's earlier works by applying them to a number of contemporary issues in a way that few card-carrying Hayekians care to do.

When one does this, it soon becomes clear that, despite the Prime Minister's professed admiration for Hayek, there is a sharp contrast between the rule of impersonal law and respect for evolved established institutions enunciated by the professor and Mrs Thatcher's own hostility to all constitutional restraints on the discretion of the government of the day.

Ralf Dahrendorf, Warden of St Antony's, Oxford, in his chapter in Thatcherism complains that the Government is undermining many of the intermediate institutions between the citizen and the state, from universities to local authorities. Such institutions reinforce personal freedom by establishing alternative standards of power and also soften the edges of authority and thus make it more palatable.

The greatest paradox of Thatcherism, and to some extent Reaganism, is the contrast between their economic individualism and their authoritarianism in other areas. This contrast is one of the themes of a book by K. Hoover and R. Plant called Conservative Capitalism.

The authors clearly identify the strains between the individualist and traditionalist currents in contemporary conservatism. They make matters a little too easy for themselves by identifying the first with Thatcher and Reagan and the second with post-war consensus conservatism. For tensions exist within Mrs Thatcher's own thinking. This emerges to a ludicrous extent in the muddled White Paper on broadcasting which, in alternate paragraphs, argues for more choice and more censorship.

Hoover and Plant hint at this contrast but do not really explore it. I was also disappointed that they did not follow up their own insights about the effects on the case for capitalism of that case being taken over by conservative parties from the old classical liberals. The latter valued nonconformity and constitutional restraints and worried about the legitimacy of property rights. It is these differences with the new rights that made me call my own book A Restatement of Economic Liberalism.

The strong point of Hoover and Plant's Conservative Capitalism is the analysis by the authors of the New Right critique of the post-war consensus. They bring together the threatened overload on governments, the effects of interest group pressures, the dangers of bureaucratic power, the potentially unlimited nature of so-called economic rights and the distortions imposed by the political market place. Many of these criticisms are shared by people who are no part of the New Right.

For instance Sir Henry Phelps Brown concludes a monumental study on the practical and theoretical aspects of egalitarianism, which he very much favours in principle, by warning that "in considering the redistribution of income and wealth, we are dealing with the benevolence of those who give, not with the rights of those who receive. To describe the claim that other people make on our sympathetic consideration as human rights is a misnomer."

Raymond Plant himself, in looking for new directions for the Left in Britain, also endorses some of the New Right criticisms of the postwar Welfare State. He makes the case for benefits in cash rather than in kind. Indeed he would ultimately prefer a guaranteed basic income – something very different from a minimum wage – to the present mass of specific benefits. In the meantime he sees some virtue in greater selectivity to concentrate help on those in need. He criticises Labour's tradition of willingness to put power in the hands of "experts" and toys with the idea of vouchers for some welfare services.

It would be tempting for a classical liberal to find common ground with a market socialist such as Raymond Plant on policies which take personal choice and individual rights more seriously than conservative parties ever will. Such authors are also more sensitive to issues of distribution; they realise that there are other values than those of strident commercialism. Fundamental differences would still remain, however, on equality as an ideal and on where the onus of proof should be in matters of intervention and redistribution.

But just as one should distinguish between Mrs Thatcher, the politician and new right theorist so one should distinguish between revisionist left-wing writers and the real world of the left and centre establishments.

If, as 1989 approaches, we move back from high theory to Thatcherism as a method of government, the appropriate verdict is probably that of Skidelsky. "It may have been necessary to break out of the corporatist and bureaucratic impasse of the late 1970s; but the analysis was over simple, the means crude and mean." Just go to a few pre-Christmas cocktail parties in London and Oxbridge and ask whether you would really like the old establishment to take over again just yet.

Books mentioned in this article are:
Robert Skidelsky (ed): Thatcherism, Chatto & Windus, £18.00
F.A. Hayek: The Fatal Conceit, Routledge, £30.00
Samuel Brittan: A Restatement of Economic Liberalism, Macmillan, £9.95 paperback and £39.50 hardback.
K. Hoover and R. Plant: Conservative Capitalism in Britain and the United States, Routledge, £8.95 paperback and £30.00 hardback
Henry Phelps Brown: Egalitarianism and the Generation of Inequality, Clarendon Press, Oxford, £40.00.

LOMBARD

A better way to finance students

By Clive Wolman

LET US suppose, for the sake of argument, that the British Government has got it right in selecting the student maintenance grant as the next bastion of the middle-class welfare state which is ripe for attack.

The problem then becomes one of how to finance an individual's investment in higher education. In principle, that ought to be easy because the prospective returns – about 25 per cent, according to the Government's own statistical analysis – are so much larger than most investments in the British economy.

The recent white paper, however, only considers debt. It then attempts messily to patch up the defects of this particularly inappropriate method of finance.

The trouble with loan finance – at least, once it becomes the primary way of meeting a student's living costs – is its high risks for the borrower. The 18-year old sixth-former, when deciding whether to go into higher education or to take an immediate job, faces the prospect of being saddled with a heavy burden for many years, if he/she ends up as a graduate on low earnings.

Such risks will deter the very categories of teenagers that the Government needs to encourage most to enter higher education, namely those from backgrounds which fail to provide any sense of financial security or self-confidence, and which put a low value on education.

But if the Government believes its own figures, why should it turn down an opportunity to make such an attractive investment itself?

What it should be doing is offering finance for students not in the form of debt, but of equity. And that means taking a share of the students' earnings after their education is completed.

Private sector providers of equity finance for students are unlikely to appear. This is because they would find it prohibitively expensive to assess and collect part of the earnings of a graduate.

But the Government already has the assessment and collection machinery available through the income tax system. As the white paper points out, graduates already contribute to the costs of their education by paying – on average – higher taxes. The unfairness is that they pay no more than people on the same earnings who have not had the privilege, nor incurred the costs, of higher education.

Under an equity-finance system, those graduates who have been beneficiaries could be given a different PAYE coding by their tax offices. This will mean that they have to pay what will be in effect a higher rate of income tax when, for example, their earnings exceed the national average.

Individual students could be offered a choice: no finance at all, a traditional loan, or equity finance either with a high "surtax" rate – perhaps 6 per cent on all taxable income – for a few years or a low rate of, say, 3 per cent on that slice of earnings above the national average for 30 or 40 years. The terms of the packages would be set by applying the normal principles for evaluating equity investment, with two exceptions.

The Government might introduce a subsidy by seeking a lower expected rate of return (as it has with its proposed loan scheme) and there would be no attempt to discriminate between different students.

Graduates could also be granted a "call option" to allow them to buy out the Government's stake and remove their additional tax burden by paying a lump sum prematurely. Such an option might alleviate some of the disincentive effects of higher tax rates.

The Government's proposals already show signs of being drawn towards this sort of solution by the difficulties of demanding repayment from graduates who remain on low incomes.

One of the four possible schemes outlined in the white paper would allow the repayments to be set at about 4 per cent of taxable earnings until the debt was repaid. But such a solution would be unnecessarily complicated administratively, as payment would be separate from the income tax system and would still bear heavily on those with low but taxable incomes.

LETTERS

Savings are no help

From Mr Ian Harnett.

Sir, Mr Donald Franklin suggests ("How to increase the incentive to save," November 23) that overheating could be eased if the savings ratio was increased by abolishing taxation on the interest from personal savings.

But if people save to maintain a given future income stream, then removing the tax would mean that they save less, not more. Removing the tax merely has the effect of increasing disposable income.

Mr Franklin's argument relies on consumers saving any extra income, and financial institutions deciding not to cut their deposit rates to the net rate previously sufficient to attract adequate inflows. The suggestion that interest payments are subject to "double taxation" also confuses the taxation of the income stream with the taxation of the capital saved.

Removing this distortion on only a few relatively unimportant assets would tend only to redirect savings into tax efficient forms, rather than increase the level of savings.

It also ignores the distortion, currently in the tax system, whereby house purchase, the most important form of personal saving, is subsidised by the Government.

Mr Franklin seems to neglect the point that, although the taxation of interest might be manipulated to improve incentives for saving, it is unlikely to alter the fundamental factors responsible for the fall in the measured saving ratio in the 1980s. Given the current state of statistics, this may understate the true savings rate by almost 10 per cent.

Ian Harnett,
McCaughan Dyson Capel Cure,
65 Holborn Viaduct, EC1

Patterns in the crystal ball

From Mr David Redfearn.

Sir, Ralph Atkins is perfectly correct when he writes (November 23) that: "It might be, however, that the indices (for predicting business cycles) are fundamentally flawed." If they cannot even reliably postdict previous events, it seems reasonably certain that something is missing from their composition. Why, for example, is the factor of land value omitted, when reports of businesses abandoning the struggle, when rents are doubled at review time, come in from all sides?

A simpler and much more reliable indicator, at least of long-term trends, and involving land values, was proposed some time ago by Homer Hoyt at the University of Chicago. He discovered in the US, where statistics are more informative, a set of clear sequences: peak in land values – peak in building activity; building – economic recession; culminating in the years 1819, 1837, 1857, 1873, 1918 and 1929.

Apart from the displacement of 1918, probably connected with war, these dates suggest a regular business cycle of the order of 18 to 20 years; moved primarily – as Henry George suggested in "Progress and poverty" (1879) – by the expectations of the land speculator, rising to the point where they become unrealisable.

The situation in 20th century Britain is less clear. What evidence there is, however – peaks in land values in 1936 and 1973, recessions in 1938 and 1974, and the beginning of post-war resurgence in 1955 – implies that the same mechanism could well be operating here. If it is, the next major recession is due about 1992.

David Redfearn,
15 Fennell's Close,
Eastbourne, East Sussex.

Seeking the next step in Northern Ireland

From Mr Jeremy Burchill.

Sir, I refer to your editorial on the Anglo-Irish Agreement (November 15); the past three years has seen an upsurge in the level of terrorist violence.

This is attributable in no small measure to the psychological boost republican terrorists have derived from the loss of British sovereignty in Northern Ireland, attendant upon the Irish Republic's unprecedented involvement in the internal affairs of part of the UK.

The British community in Northern Ireland remains in a state of passive alienation. Since that community is holding the front line in the war against terrorism, in the long term it can only prove self-defeating to allow this state of affairs to continue.

While it is understandable that the Government is reluctant to admit that its policy has been based on a flawed analysis, it is now imperative that active steps be taken to foster Ulster's sense of belonging, as an integral part of the UK.

An "integrationist" approach is called for. After 17 years of "direct rule" there remains little of the devolutionist ethos, especially amongst the young and middle-aged. Because many Irish citizens willingly come to reside in Britain, thereby coming under Westminster jurisdiction, there can be little basis for those who aspire to Irish citizenship, and who live in Ulster, holding any legitimate grievance at such a step. In truth, legislation is merely a democratisation of direct rule.

The Government must have the magnanimity to bring the Hillsborough *débacle* to a conclusion. All political power resides at Westminster. From that quarter alone can any initiative be taken.

Jeremy Burchill,
19 Tollesbury Road,
Tolleshunt D'Arcy, Essex.

From Mr George Stern.

Sir, Your excellent editorial on Northern Ireland (November 15) forgets one thing: we must study other countries with multi-community regions.

The Alto Adige, with a large German population, suffered from terrorism, so Italy instituted apartheid against Italians. Jobs are reserved for Germans; if not filled, they may not be filled by Italians. (Contrast that with Ulster, where more than half of large sections of the Catholic minority community are unemployed.)

In the Austrian Empire in 1910 you chose your community (German, Czech, and so on) and voted accordingly: Czechs voted only for Czech MPs (Czech socialists, Czech conservatives); Germans and other nationalities did likewise, so every community was represented in proportion to its size. Courts, parliamentary assemblies and other institutions had to operate in all appropriate languages. And the Czech regions were the richest in the whole empire. (Contrast that with Northern Ireland, the slum of the European Community, where nearly all MPs are aggressively Protestant.)

European experience suggests a minimum package for staying in Northern Ireland:

- Job reservation for each community at all levels;
- Voting by community, or at least PR, to ensure fair representation;
- Outlawing discrimination;
- Huge subsidies to get the region above the current Neapolitan level of poverty.

And no-one believes in British justice except the British: every sensitive case should have a judge from the Republic of Ireland sitting in. That includes re-trials, *ab initio*, of cases such as the Guildford and Birmingham "bombers."

George Stern
6 Eton Court,
6 Shepherds Hill, N6

Call it a payment rather than a tax . . .

From Mr Harvey Cole.

Sir, In view of the widespread anxiety as to how President-elect Bush will succeed in reducing the US budget deficit without breaking his pledge not to increase taxes, may I put forward a modest proposal?

Let him announce something with a grandiose title – a "Federal Resurgence Contribution," say. This would be a payment (not a tax) calculated at so much per thousand dollars of income above a threshold figure. The money would be repaid, with interest, after a stated period.

The key element is that there would be a choice between a voluntary and a required contribution. The former would carry interest at, say, 5 per cent, repayable after four years. The latter would yield only 1 per cent, and not be reimbursed for ten years.

How the money would roll in.

Harvey R. Cole,
9 Clifton Road,
Winchester, Hampshire

FINANCIAL TIMES
Thursday December 1 1988

Lawyer fights Queensland state corruption

Chris Sherwell reports on a determined inquiry into abuses by Australian officials

Initially, it was a standard exercise in damage limitation. A television documentary called "The Moonlight State," broadcast in May 1987, exposed illegal gambling, prostitution and police bribery in Brisbane. Under pressure, the Queensland state government, headed for 20 years by the maverick Sir Joh Bjelke-Petersen, reluctantly agreed to set up an inquiry.

The terms were confining. The inquiry would examine certain events over the previous five years, and just five named characters allegedly running illegal casinos and massage parlours. It would last just a few weeks and was expected to make little impact on the state's organised crime and corruption.

But no one reckoned with Gerald Edward (Tony) Fitzgerald, the 46-year-old lawyer plucked from obscurity to head the inquiry. Quiet, apolitical, ordinary, he managed quickly but quite unexpectedly to expand its scope dramatically. Only now, after 18 long months, is the inquiry about to end.

In that time, he and his small team have not only confirmed the existence of widespread police protection for vice. They have uncovered the systematic abuse of public position and trust over a period of many years stretching up to the highest levels of the state.

The climax to the hearings will come with the appearance of Sir Joh himself, the 77-year-old former peanut farmer who became premier in 1968 and made his name through God-fearing paternalism, pro-Queensland chauvinism and right-wing autocracy. He fell from power a year ago this week and the question everyone wants answered is simple: how much did he know?

Sir Joh's testimony will follow recent evidence given by key figures from his time in power: Sir Edward Lyons, former head of the Totalizator Agency Board (TAB), Sir Terence Lewis, former Police Commissioner, and two former cabinet ministers, Mr Russ Hinze and Mr Don Lane.

Before them came the most pivotal testimony of all – that of Mr Jack Herbert, called "The Bagman" because over the years, as he admitted, he collected more than A$3m ($2.6m) in corrupt payments, much of which he distributed and some of which he kept. He fled to Britain before the inquiry began but was extradited and given indemnity after admitting his corruption.

Mr Herbert was an officer with the Licensing Board, which is where Mr Fitzgerald began his inquiry. Once former prostitutes started testifying about the tens of thousands of dollars being paid monthly for protection, it became clear that the police would not be willing to take all the blame.

The first big break came within a month of the inquiry's hearings starting in July 1987. A police sergeant resigned and admitted corruption without receiving indemnity. He was followed by Assistant Police Commissioner Graeme Parker who named Commissioner Sir Terence Lewis and Minister Don Lane as people who had allegedly received pay-offs. Sir Terence, appointed by Sir Joh in 1976 over the heads of other officers, was suspended.

All this was taking place against an extraordinary political background which, in bringing the fall of Sir Joh, represents one of the most astonishing reversals of fortune Australia has ever seen.

Back in November 1986, Sir Joh's National Party had achieved his most convincing

Sir Joh Bjelke-Petersen: from peanut farmer to premier.

state electoral victory and used this as a platform to embark on an extraordinary "Push for Canberra" aimed at removing the socialists from power. Instead he split the opposition and helped it lose the federal election which Mr Bob Hawke, the Labor Prime Minister, called for July 1987.

In Queensland, Sir Joh's party promptly began tearing itself apart over this and more parochial issues. Among them, by now, was the inexorable progress of the Fitzgerald Commission. Increasingly alienated, he was forced to say he would retire and set a date of August 1988.

But a short while later, in November, he suddenly sacked five ministers. One of them, Mr Mike Ahern, said the Commission was "a factor" behind the move. In the crisis which resulted Sir Joh lost. He resigned and Mr Ahern, now 46, became the state's new Premier.

To his credit, Mr Ahern stood by the Commission and decided to let it run its course. Whether he knew what was to come is unknown, but few could have imagined the revelations which would later surface.

Mr Lane, the former minister who was left out of Mr Ahern's Cabinet, testified earlier this month that at least 14 present and former ministers had misused their official expenses, himself included. The diversion of public money to personal use, evading tax in the process, was so common, he said, he did not think he was doing anything wrong.

Mr Hinze, a man whose charm compensates for his unattractive enormity, admitted receiving loans and advances running into millions of dollars from numerous property developers – some undocumented, some with no provision for repayment, some later forgiven. He denied that they affected land development decisions made in Cabinet.

Mr Hinze also confirmed the key role played in the National Party's politics by the Bjelke-Petersen Foundation, run by Sir Robert Sparkes, another key figure who eventually helped depose Sir Joh, and a company called Kaldeal linked to Sir Edward Lyons. Both have been called "slush funds," built up through contributions.

Now it is Sir Joh's turn to testify. How much of all this he actually knew is impossible to gauge because he had a tendency to leave details of certain decisions to associates. He has already said he is "shocked" by Mr Lane's revelations regarding expenses. What is certain is that despite his sanctimoniousness and piety, corruption flourished under him and institutions became politicised.

Other significant questions remain unanswered. If the police and others succumbed to bribery over gambling and prostitution, what, if anything, might lie behind the far more lucrative drugs trade? Can Mr Ahern, one of Sir Joh's longer-serving ministers, survive as Premier? And what might have happened nationally if Sir Joh's much-vaunted "Push for Canberra" had succeeded?

Where things go from here is unclear. Mr Fitzgerald is expected to report in a few months and prosecutions seem inevitable. An election is not due until late next year, but the revelations have already wrought preparatory changes in the state Liberal and Labor parties as well as the ruling Nationals.

Other Australian states are meanwhile gloating at Queensland's misfortune, as if to say things could not be as bad elsewhere. Unfortunately, the suspicion lingers that they might well be – that all public servants exploit the system, that criminal corruption is widespread, that public disdain for politicians is reinforced.

If Queensland does mirror Australia, Mr Fitzgerald has at least provided small compensation by demonstrating that public inquiries into such issues, conducted openly and carefully, can indeed work. In the process he has underpinned another major source of power in the land – the media – and confirmed the awful truth of an old cynic's political adage: Never set up an inquiry unless you know the outcome.

THE LEX COLUMN

A dull finish on British Steel

A smooth passage into the private sector for British Steel is in everybody's interests, and the Government, market makers, institutions and underwriters are doing their utmost in somewhat unpromising circumstances to bring it about. Lord Young did his bit by choosing a price low enough to withstand a dismal set of trade figures which he must have known were in the pipeline. After Friday's upset, the market has been putting a brave gloss on a general lack of enthusiasm, and yesterday even made a touching attempt to get back through 1800 on the FTSE.

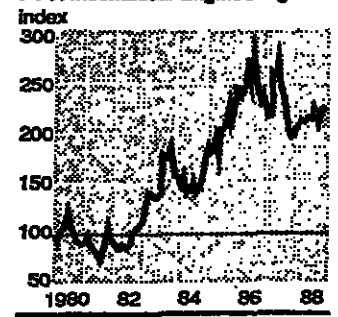
With one day to go, the outcome is likely to be as solidly dull as projected steel demand. Foreigners look willing – if not rapturous – recipients of their one third, while retail investors do not appear altogether put off by the slim prospect of fat profits. UK institutions sound happy enough with their firmly allotted proportion, but may do little more than toy with the public offering, and with interest rates at 13 per cent may be content to be a little underweight.

If BP taught anything, it should have been the folly of such comforting predictions. An unexpected rise in US employment figures on Friday, and a rise in the discount rate, would more than take care of the expected 5p to 8p premium; but as the market is expecting a large figure, upset is unlikely. The first privatisation since the crash may give the Opposition little to crow over, but will do nothing to whip up the nation's greed for shares in water or electricity either.

Stock Exchange

It is too early to be sure, but it looks as if London's central equity market is in danger of disintegrating. Yesterday saw one member firm proposing to resume trading on the old Stock Exchange floor, two more being fined for late booking of bargains, and another making a nonsense of the screen-based system by consistently quoting the same price as both best bid and offer. The first of these may be little more than a gimmick – Morgan Grenfell offering to trade small lots of British Steel in the old style next Monday – and the second at least shows the authorities imposing discipline. But for Shearson to make choice prices in Rank Organisation – having done the same in British Aerospace the day

Siebe
Share price relative to the FT-A Mechanical Engineering Index



before – draws attention to a more fundamental threat to the system.

It is possible to sympathise with Shearson's deliberate parody of recent trends. By quoting no spread at all in nominal size, and pointedly dealing in larger sizes at the quoted price for selected clients only, the firm is neatly demonstrating to the Stock Exchange that yet another piece of information – the spreads which firms are offering – can be withdrawn from the central arena. Shearson is breaking no rules, and if it is not making any money at it, neither is anyone else these days. The Stock Exchange's response to all this has been to set up a committee, which will not finish its deliberations for four more months. It could all be ancient history by then.

LBOs

Never one to miss a good down-home populist issue, Time magazine is devoting its latest cover story to the issue of greed and the American buy-out, with special reference to RJR Nabisco. Nabisco's biscuits and smokes should soon have a proud new owner to take them out of the news headlines for a while; but the sight of the various bidders building debt castles to the sky has raised issues of principle which look likely to exercise the politicians for some time to come. Many of the Congressional heavies who specialise in this sort of thing have recently found it prudent to take a tough line on the LBO industry. And more state politicians may yet think it wise to follow the political instincts of New York Governor Mario Cuomo, who decided on Tuesday to instruct his state's pension funds to stop funding LBOs for the time being.

In the past, federal legislators have shown a distinct reluctance to put their legislation where their mouths are when it comes to penalising this sort of activity; so it may not yet be time to fear that Congress will clobber the buy-outs with new tax legislation. But state law-makers may find themselves under much more home-town pressure to intervene in takeovers. Protecting the public, presumably, is their job; whether it is also Mr Cuomo's job to advise state pension funds to invest in protecting God and the American way – rather than concentrating on earning the best investment return – must be much more doubtful.

Telephone Rentals

The battle for Telephone Rentals could still be a close run thing, despite Cable and Wireless' success in picking up a near 30 per cent stake yesterday. TR's shares have been such poor performers over the years that there will be those who feel that in the absence of a last minute rival bid – which is highly unlikely – C and W's offer may be on the mean side, but is better than nothing. Given the current uncertain market conditions, this view is understandable enough, but does not do justice to the fact that TR's underlying profitability is definitely on the mend, and that C and W badly needs TR's marketing expertise if it is to realise Mercury's full potential. If the Blue Circle/Birmid Qualcast bid battle is any guide, shareholders do not have too much to lose by hanging on; it is no longer a question of if, but when TR will be taken over.

Siebe

Siebe is still paying the price for imitating the most acquisitive mini-conglomerates in the great bull market, and even though its industrial strategy is more soundly based, its long-term independence is by no means assured. Although the City did not like being bombarded with Siebe paper in the middle of last year's crash, the wisdom of its recent acquisitions is hard to fault, and earnings per share growth of 10 to 15 per cent per annum looks reasonably sustainable over the longer term. A 25 per cent rise in the interim dividend should help the rehabilitation of its image, but a prospective multiple of 8 must still look cheap to a Japanese or European predator that wants to take over the world's second biggest controls manufacturer after Honeywell.

Moscow may yield on arms talks

By Ian Davidson in Mont Saint-Michel and Judy Dempsey in Vienna

THE SOVIET Union might agree to start talks on reducing conventional arms throughout Europe without prior agreement on whether a human rights conference should be held in Moscow, Britain and France now believe.

Both President François Mitterrand of France and Mrs Margaret Thatcher of Britain said yesterday the issues were no longer linked.

They were speaking after talks at the ancient citadel of Mont Saint-Michel in northern France.

Mrs Thatcher said of the human rights conference: "The matter is not as urgent as it was; it is not tied to a resolution of the conditions for holding the conventional force talks."

President Mitterrand agreed: "Mrs Thatcher is right, the two things are not linked."

Moscow has demanded the right to host a human rights conference in 1991 as a precondition for wrapping up the current meeting in Vienna of the 35-nation Conference on Security and Co-operation (CSCE) in Europe.

A CSCE accord is, in turn, a prerequisite for establishing the long-mooted Conventional Stability Talks (CST), grouping the 23 Nato and Warsaw Pact countries.

Any "decoupling" of the human rights conference and the CST would presumably require Soviet assent to a compromise CSCE agreement which left open the fate of the Moscow meeting. There has been speculation in Vienna that Moscow would accept such a deal, but no confirmation.

France and Britain appeared yesterday to move closer on Soviet human rights, with Mr Mitterrand – whose Government recently accepted the idea of a Moscow meeting in principle – going some way towards endorsing Mrs Thatcher's doubts.

Meanwhile, the Soviet Union yesterday stopped jamming West Germany's Deutsche Welle radio and broadcasts in Soviet languages by two US radio stations – Radio Free Europe (RFE) and Radio Liberty – in a move towards meeting the West's conditions for agreeing to the Moscow conference.

But it continued jamming Israeli radio, and Czechoslovakia and Bulgaria were still blocking RFE broadcasts.

The US broadcasts are in Russian, Byelorussian, Ukrainian and the languages of Estonia, Latvia and Lithuania, the three Baltic republics.

An end to the jamming of US, West German and Israeli radio was one of three conditions laid down by the West for agreeing to the Moscow meeting.

The other two were the release of Soviet political prisoners and an end to restrictions on emigration.

● Mr George Shultz, US Secretary of State, said yesterday a Franco-US dispute over proposed East-West talks to cut conventional forces in Europe was close to being solved, Reuter reports from London.

"It seems to be on its way toward a solution, but I can't say that it's resolved," he said in a satellite link-up with journalists in five European capitals.

Row over extradition of ex-priest intensifies

By Charles Hodgson in London, Kieran Cooke in Dublin and David Buchan in Brussels

A POLITICAL row between Britain and Ireland over the case of Mr Patrick Ryan, the Irish former priest wanted by London for alleged terrorist offences, intensified yesterday after reports of flaws in British extradition papers.

A Dublin Government spokesman broadly confirmed Irish television reports that extradition papers on Mr Ryan sent by Sir Patrick Mayhew, the British Attorney-General, to Mr John Murray, his Irish counterpart, were seriously flawed.

Previous British extradition attempts from Ireland have foundered because of what Irish legal authorities considered to be badly prepared documentation.

UK Government lawyers later admitted there were "minor defects" in the original papers sent to Ireland seeking the return of Mr Ryan but insisted these had been corrected in the final warrant.

Mr Murray is now considering the extradition request and is not expected to reach a decision until next week, when the Irish Parliament is also due to review the country's new extradition laws.

The admission that extradition papers were defective could prove embarrassing for Mrs Margaret Thatcher, the UK Prime Minister, who bitterly attacked both the Belgian authorities over their failure to extradite Mr Ryan and Dublin for failing to meet a British request to have him arrested pending extradition proceedings.

The Irish reports said Britain initially neglected to send supporting documents required under new Irish extradition laws and when they eventually arrived last Friday they were again found to be faulty.

Background, Page 11

US backs early meeting of G7

Continued from Page 1

and officials to evaluate the economic indicators which are used to guide policy co-ordination among the Seven.

The news of moves to convene the G7 has so far failed to excite currency markets. The dollar closed in London yesterday at DM1.7360 compared with DM1.7270 on Tuesday and at Y121.9 compared with Y121.45.

If tomorrow's US employment report underlines a strong economy, then the US Federal Reserve may raise its discount rate which will support the US currency.

In general, however, the market's main focus is still on sterling, which is firmly supported by interest rates and comments by Mr Lawson.

The Bank of England intervened again yesterday to smooth the pound's rise. Sterling closed at DM3.2125 compared with DM3.20 and at $1.8505 compared with $1.8525. The Bank's trade-weighted sterling index was 0.3 higher at 78.3.

Bhutto seems assured of power

By Christina Lamb in Islamabad

BENAZIR BHUTTO seems set to become Prime Minister of Pakistan after Mr Nawaz Sharif, acting leader of the Islamic Democratic Alliance, apparently conceded that he would not be asked to form a government.

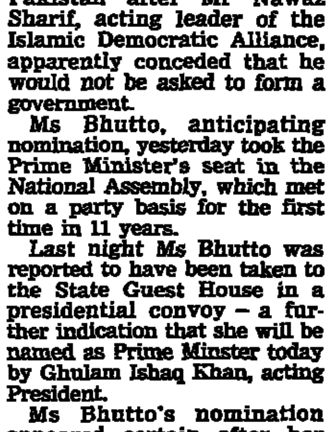
Ms Bhutto, anticipating nomination, yesterday took the Prime Minister's seat in the National Assembly, which met on a party basis for the first time in 11 years.

Last night Ms Bhutto was reported to have been taken to the State Guest House in a presidential convoy – a further indication that she will be named as Prime Minister today by Ghulam Ishaq Khan, acting President.

Ms Bhutto's nomination appeared certain after her Pakistan People's Party secured a parliamentary majority earlier this week when it signed an agreement with the Mohajir Quami Movement, a small regionally based party which won 13 seats in the elections.

The PPP emerged as the single largest party in the elections with 93 seats, while the Alliance, a grouping formed around the Muslim League to fight the election two weeks ago, won 54 of the 207 National Assembly seats.

Ms Bhutto's mother sat beside her yesterday and her party men sat behind on the



Benazir Bhutto at the National Assembly yesterday

government benches. No member of the Alliance sat on the front benches – an admission that they had still not agreed upon a parliamentary leader. Most of the Alliance's leading members lost their seats in the election.

The parliamentary galleries applauded loudly as Ms Bhutto signed the rule book and took up the chair once held by Zulfikar Ali Bhutto, her father who was ousted in 1977 and subsequently executed.

Ms Bhutto said: "It feels strange to be coming through these halls where I often accompanied my father as a youngster. But there is also a sense of satisfaction that after all our 11-year struggle we have finally reached Parliament. "The people have given their verdict and the President must call on me to form the Government."

State-controlled telvision and newspapers yesterday quoted Mr Bhutto's name for the first time in the 11 years since former President Zia took power.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	61	Dubrovnik	F	15	59	Malta	F	19	66	Rhodes	S	17	63
Algiers	S	18	64	Edinburgh	R	06	43	Manchester	R	09	48	Rio de J'o	F	27	81
Amsterdam	R	06	43	Faro	S	17	63	Manila	C	29	84	Rome	R	15	59
Athens	C	14	57	Florence	D	11	52	Melbourne	C	19	66	Salzburg	R	08	46
Bahrain	F	25	77	Frankfurt	C	08	46	Mexico City	F	22	72	San Francisco	C	21	69
Bangkok	F	28	82	Funchal	S	20	68	Miami	C	23	74	Seoul	F	07	45
Barcelona	F	11	52	Geneva	R	08	46	Milan	F	05	41	Singapore	R	29	84
Beirut	C	16	61	Gibraltar	S	17	63	Montreal	C	04	39	Stockholm	F	-4	24
Belfast	R	09	48	Glasgow	R	06	43	Moscow	C	-6	21	Strasbourg	R	09	48
Belgrade	S	09	48	Guernsey	F	11	52	Munich	R	09	48	Sydney	F	21	70
Berlin	C	02	36	Helsinki	F	-12	10	Nairobi	C	24	75	Taipei	F	19	66
Biarritz	R	12	54	H. Kong	F	20	68	Naples	C	13	55	Tangier	F	15	59
Bombay	S	29	84	Innsbruck	C	04	39	Nassau	F	25	80	Tel Aviv	S	20	68
Bordeaux	R	10	50	Inverness	C	05	41	New Delhi	F	26	79	Tenerife	F	22	72
Brussels	C	12	54	Islamabad	F	24	75	New York	C	08	47	Tokyo	F	13	55
Budapest	Sn	-2	36	Istanbul	F	12	54	Nice	F	15	59	Toronto	C	05	41
B. Aires	F	28	82	Jakarta	R	30	86	Nicosia	C	20	68	Tunis	S	19	66
Cairo	F	23	73	Jersey	F	12	54	Oporto	C	15	59	Valencia	F	14	57
Cape Town	S	21	70	Jo'burg	C	22	72	Oslo	F	-2	28	Venice	C	03	37
Caracas	C	26	79	Lima	F	23	73	Paris	R	12	54	Vienna	Sn	00	32
Casablanca	S	19	66	Lisbon	C	17	63	Peking	S	13	55	Warsaw	F	-1	30
Chicago	C	02	36	London	F	13	55	Prague	Sn	-2	28	Washington	F	04	39
Cologne	R	10	50	Los Angeles	F	27	80	Reykjavik	S	00	32	Zurich	C	09	48
Copenhagen	S	-2	28	Luxembourg	R	08	46								
Corfu	F	12	54	Madrid	Fg	04	39								
Dallas	F	03	37	Majorca	F	18	64								
Dublin	R	11	52	Malaga	S	16	61								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Lawson defends policy on the pound

Continued from Page 1

and high interest rate policies.

The economy did not require "shock treatment" as in the early days of Mrs Thatcher's first term when economic policy had to combat high inflation and deep-seated inflationary expectations, he said.

Industry had contended with high interest rates at some point in each of the past five years and had done "fantastically well." It had expanded rapidly and was in the middle of an investment boom with productivity and profits "better than ever," he added.

The committee meeting was the second public test this week for Mr Lawson. On Tuesday, he had to defend his policies in the Commons in the debate on the Queen's Speech.

The Chancellor said the current account deficit, which the Government has forecast could reach £13bn this year, was a "safety valve" which allowed the country to reduce excess domestic demand without suffering too much pain.

He said that countries which could run such current deficits were those which presented attractive investment opportunities to international investors.

Mr Lawson said he saw no reason to revise upwards the estimate of the deficit for this year following last Friday's news of a £2.43bn shortfall for October alone. The Government has forecast a decline in the current deficit to £11bn next year.

ACCOUNTANCY COLUMN

Splitting of hairs over impartiality

By Richard Waters

DO YOU know the difference between "impartiality" and "independence"? It's an important one, if accountants are to be believed, because they think they can give up the first without sacrificing the second.

The cause for this hair-splitting: the role that accountants play in contested takeovers, which has been considered in this column before.

The distinction between impartiality and independence comes from Coopers & Lybrand. The firm reasons as follows:

If you are helping one company attack another's accounts, you can be partial and take your client's side. This does not impair your objectivity or your independence, provided the line you take remains within the accounting rules.

This is only possible in the first place because there are often two ways of accounting for the same transaction.

The Companies Act does not require accounts to show *the* true and fair view, but *a* true and fair view of a company. More than one exists, and the accountant analysing a company involved in a takeover can take whichever view best suits his client's interest.

The implications of this are important. If the accountant takes a view to suit his client, what does he say when that client comes along at the end of the year and asks for an audit of his own accounts? Does the auditor take a similar "independent" and "objective" stance? Or will he also decide that he needs to be "impartial"? And how can shareholders be sure what the position is?

Regular readers of this column will recall that Arthur Young faced just this problem when helping brewers Scottish & Newcastle take apart Elders' accounts. The firm took a position on a controversial accounting issue (whether Elders should have consolidated all of its subsidiaries) which suited its client, S&N. It took the opposite view on the same accounting issue when considering whether an audit client, Next, should consolidate all of its subsidiaries.

Coopers' response is that the importance of the accountants' work in cases such as this is that it brings information before shareholders.

In the Elders case, they were given both sides of the story and could make up their own minds about Elders' true position. Accounting (in the sense of how figures are presented) doesn't matter, provided shareholders are being given more information on which to base their judgments.

This is a strange approach from a firm whose chairman, Mr Brandon Gough, recently sat on the Dearing committee, which put forward ideas for strengthening the UK's system for setting accounting rules. If accounting firms like Coopers have decided that accounting doesn't matter, who is there left to champion it?

Third reason found for including intangibles

A third practical reason for including intangibles such as brands in balance sheets has emerged.

The first two, it will be recalled, have been aired in the last week or so by Ranks Hovis McDougall and Hanson.

RHM needed to value its brands to reduce the problem of goodwill from future acquisitions. Part of the goodwill will remain in the balance sheet as "brands", reducing the amount that needs to be written off against reserves after future acquisitions.

Hanson's problem was slightly different. Under its articles of association it can borrow no more than 2½ times its shareholders' funds, which are depleted by writing off the goodwill from acquisitions.

So it is to ask shareholders to allow it to include goodwill when arriving at its shareholders' funds for calculating its borrowing powers.

This creates the interesting case of a "shadow" balance sheet which shareholders are being asked to believe bears a closer resemblance to reality than the company's published balance sheet.

The third practical reason also applies to acquisitive companies. Under Stock Exchange rules, companies need the approval of their shareholders if they want to acquire another company whose assets exceed 25 per cent of their own. Increase assets by valuing brands and, hey presto, the need for shareholder support disappears.

This may be vital to companies which have large and potentially disruptive minority shareholders whose permission may not be forthcoming. RHM, it will be recalled, has Goodman Fielder with just under 30 per cent sitting on its share register.

There could be a sting in the tail, however. The 25 per cent test, which relates only to tangible assets, can be extended to intangibles with the Exchange's approval.

However, in such circumstances the Exchange can replace the 25 per cent figure with some other ratio. Its ability to move the goalposts like this could present it with some difficult decisions in the future.

These are the practical reasons for showing intangibles in balance sheets.

They do not make balance sheets any more useful, however: the last thing companies want to do is tell the outside world what they think they are really worth, for fear of attracting a takeover.

The companies which have tackled these issues so far are trying to solve practical commercial difficulties.

By doing so, they have thrown up a number of problems: how you arrive at the value of a brand, and whether you can show acquired intangibles but not existing ones, or some intangibles like brands but not others. These tricky questions have been left on the accountancy profession's plate.

Knocking copy 'can prove a distraction'

PRODUCING knocking copy on the other side's accounts is only a small proportion of what accountants do in takeovers and is distracting comment from the real value of their work, says Coopers.

For example, the firm fielded a team of 50 people recently to work on Minorco's bid for Consolidated Gold Fields.

Their role was to carry out the detailed analysis needed by the company and its merchant bank advisers, Morgan Grenfell, to mount their attack on the other side's management record.

Banks don't have the resources to do this work for themselves.

"We're not interested in knocking other people's accounts," says Mr Brandon Gough, Coopers' chairman.

"It's not relevant to the outcome of most takeovers."

Analysis of the other side's commercial performance is more important and is a valid role for accountants, he says.

Unfortunately, companies often want their accountants to produce a report on accounting matters as well, and want them to stand by their views in public.

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Manufacturing, West Midlands, c £35,000, Equity Participation, Car, Benefits

The consequence of a recent management buyout is a superb opportunity including a share in the action for a financial director seeking a strategic role in guiding a company through a five year period of organic and acquisitional growth. With a turnover of £10m the company is the largest manufacturer in its field with well laid plans for expansion of the product range and customer base. Reporting to the group chief executive the group financial director will also be expected to take a thorough professional command of computerised systems, financial, management and statutory accounts, cash and budget preparation, inventory and credit control with the support of a small dedicated team. Likely to be aged in your thirties, you will have been involved in acquisitional work, possibly in manufacturing and have had dealings with outside financial institutions. The remuneration package including equity participation from the outset, makes this a truly outstanding career prospect.

K.R. Miller, Hoggett Bowers plc, *7 Lisbon Square*, LEEDS, *LS1 4LZ*, 0532-448661, Fax: 0532-444401. *Ref: L16064/FT.*

Group Financial Analyst

Immediate Challenge! London NW1, To £28,000, Car

Our client, the UK subsidiary of a publicly quoted group (turnover £290 million) currently seeks an ambitious accountant to contribute to the strategic growth of the business. Within this pro-active role you will undertake specific studies for senior management embracing potential acquisitions and evaluate major capital investment projects. In addition you will oversee a managed team of auditors engaged in the efficiency of all controls and related systems linked to a national multi-branched network. The ideal candidate aged mid 20's to 30's will be qualified with a minimum of one years post-qualification experience within the profession or commerce. A 'hands-on' individual is required who has the ability to work within a fast developing organisation with ever changing needs. Effective interpersonal skills are essential coupled with team building attributes. Excellent opportunity for advancement within the UK headquarters and the group whose ultimate goal is profitable growth through efficiency, skilful marketing and innovation.

A.D. Payne, Accountancy Division, Hoggett Bowers plc, *1/2 Hanover Street*, LONDON, *W1R 9WB*, 01-734 6852, Fax: 01-734 3738. *Ref: K17010/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A Member of Blue Arrow plc

EYE CATCHING OPPORTUNITY FINANCIAL CONTROLLER

HIGH WYCOMBE — TO £26,000+CAR+BONUS

ALLERGAN LIMITED

International market leaders in specialist eye care products are seeking a Financial Controller to join their senior management team. Reporting to the Finance Director, this high profile position has arisen in response to the dynamic growth pattern Allergan Ltd is now showing.

Primarily, emphasis will be with the overall day to day running of the financial department (6 staff reporting). Responsibilities will also include establishing financial controls and policies, monitoring their effectiveness in providing timely financial and manufacturing cost information with the ability to implement changes in response to the ever increasing demands for detailed financial information.

Ideally you will be qualified with a proven record of achievement, preferably, although not essential, within a multinational. It is vital, however, that you have excellent man-management skills, boardroom presence, with the ability to react favourably within a fast moving environment.

A superb salary together with an excellent benefits package is offered in return for your commitment.

For further information contact: Accountancy Personnel, 27 Crendon Street, High Wycombe, Bucks HP13 6LJ Tel: 0494 463622

Accountancy Personnel
Placing Accountants First
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CHIEF ACCOUNTANT

Financial Services
c. £30,000 + benefits + car

Chartered Trust plc., one of the country's foremost finance houses, is a wholly owned subsidiary of Standard Chartered Bank, one of Britain's major international banks with assets exceeding £25 billion.

We wish to appoint a Chief Accountant to assume responsibility for meeting the financial and management accounting and taxation requirements of the company and its subsidiaries, with an overriding brief to enhance our already advanced management information and control systems. As a member of the senior management team, the Chief Accountant will also be involved in projects of strategic importance.

The successful candidate is likely to be a dynamic and commercially-orientated graduate accountant, probably in his/her 30's, who has at least five years' successful line management experience in a progressive financial control function. A knowledge of the financial services sector would be an advantage and a strong computer systems awareness is an important requirement. Well developed interpersonal and managerial skills are essential.

A comprehensive remuneration package will include a competitive salary and attractive financial sector fringe benefits. Career development prospects are excellent. Generous assistance will be offered, if appropriate, in relocating to the Cardiff area which offers an excellent choice of coastal, rural and city locations.

Please apply, in strict confidence, by sending comprehensive career details to:

J. A. Roberts, General Manager, Personnel,
Chartered Trust plc., 24-26 Newport Road, Cardiff CF2 1SR.
Telephone: Cardiff (0222) 473000 ext. 2125

Chartered Trust
A member of Standard Chartered Bank Group

EAST ANGLIA'S MOST DYNAMIC PROPERTY COMPANY REQUIRES A FINANCIAL DIRECTOR

SALARY
£20,000 to £40,000 by negotiation
PLUS
Profit Share. Car. Bupa. Pension.
Relocation expenses. 6 weeks holiday

The company has a large expanding residential and commercial portfolio in East Anglia and is to imminently establish itself in other locations in the United Kingdom.

Applicants must posses drive and enthusiasm and be able to liase with various funding institutions under their own initiative.

CV's to The Chairman
Cape Cross Ltd
Cape House
5 North Street
Wisbech. Cambs

LRT

ORGANISING TRANSPORT FOR LONDON

Group Financial Analyst

An Exciting Challenge London, c £30,000, Car

London Regional Transport is currently undergoing a period of significant, rapid and stimulating change. There are exciting challenges ahead and this key role is vital in contributing to the management of growth, combined with the requisite improvements in safety and efficiency.

A qualified accountant with several years commercial experience to provide top management with detailed financial analysis of results, budgets and long range plans is sought for the new position of group financial analyst.

The most important attributes sought are the intellectual capacity to assimilate wide-ranging detail; the ability to identify significant areas of concern; to be able to put forward practical solutions; and to be an effective and skilled communicator. Likely age range is late 20's to early 40's. An excellent benefits package is offered.

London Regional Transport controls London Buses, London Underground and the Docklands Light Railway, with a turnover approaching £1000m and there are plans for further extensions to the system.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, *A.D. Payne, Accountancy Division, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB. 01-734 6852, Fax: 01-734 3738, quoting Ref: K17009/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A Member of Blue Arrow plc

Financial Director (Designate)

North West London — c £30,000 + car

Our client, is a young and highly ambitious company, specialising in importing and marketing contemporary office furniture. Established in 1985, both staff and turnover have more than tripled and the company anticipates further dramatic growth in the next few years. They are already recognised amongst the market leaders in their field and they have future plans for diversifying into manufacture and design. They have subsequently identified an urgent need for a Financial Director (Designate).

Reporting to the Managing Director, the candidate will be a qualified accountant with proven management and commercial skills. The incumbent will take immediate responsibility for all financial and administrative functions and will be expected to make a significant contribution to the future growth and development of the company.

Ideally, candidates should be aged between 27 and 34, with achievements in the field of business development and strategy planning. A graduate ACA/ACMA/ACCA with stamina and genuine commitment is required for this challenging and demanding role. A Board position is expected within the year; the speed of the appointment being directly related to performance.

Interested candidates should send a detailed CV, including current salary to Carol Jardine at Spicers Executive Selection, 13 Bruton Street, London W1X 7AH quoting reference LM 269.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

MANAGER HQ ACCOUNTING

W. MIDDX.

in excess of £25,000+Car
Excellent Benefits

An exceptional opportunity exists within this leading US hi-tech company, which has enjoyed rapid growth and achieves an annual turnover in excess of £5 billion. As a result of this expansion, our client is seeking an experienced Accounting Manager for its European Headquarters.

The position carries overall responsibility for accounting, financial reporting and services, conducted through a multitude of management and statutory organisations, and supporting a headquarters of approximately 1,000 employees. This key decision-making role, integral to the smooth running of the operation, provides excellent potential for career progression and involves considerable liaison with other areas of the company.

The ideal candidate will be a qualified accountant, aged about 35, with experience in a large multinational company environment. Essential qualities are good management skills, with a diplomatic and decisive approach.

To discuss this position in further detail, please contact ***Robert Walker*** *or* ***Claire Meacher*** *on* ***01-629 4463*** *(01-977 9530 evenings/weekends) or write to them at the address below.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463.

Head of Group Taxation

London **c£60,000 + bonus + excellent benefits**

Our client, one of the UK's top 100 plc's, is a major and successful international group with a leading position in the diversified sectors in which it operates. Worldwide sales are in excess of £2 billion and it is committed to further growth, both organically and by acquisition, and mainly in Europe and in North America.

Working closely with the Group Finance Director and other main board directors, you will head a highly professional team responsible for all aspects of taxation. The work will include UK and international tax planning, compliance and reporting, and providing advice to senior operational management on tax issues.

Probably in your late 30's or early 40's, you will already be operating at a senior level within an international group or as a partner within a professional firm. You must be capable of innovative and original thinking and be able to make a significant contribution from a tax point of view to the strategic direction of the group. Equally important will be the ability to lead and motivate people and sound commercial sense.

Please write in confidence to John Cameron, quoting reference C946, at S4/S6 Grays Inn Road, London WC1X 8AE (Telephone: 01-404 5971).

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PRUDENTIAL HOLBORN

FINANCIAL ACCOUNTANT

A key role in our Life & Pensions business
c.£24,000pa + car + finance sector benefits. West End

Prudential Holborn's prestigious Life & Pensions products are part of a range of savings and investment plans we offer aimed at the high net-worth market. We are committed to becoming the leading name in this market and have already formulated a business plan to help us achieve this aim. Effective financial management plays a vital part in the realisation of our aim. This role, assuming full financial accounting responsibilities for our Life & Pensions business, is therefore a key one.

Leading a small, high calibre team, you will prepare statutory accounts and returns for the DTI, maintain and enhance our computerised accounting systems. The accuracy of the figures and quality of the service you will provide will have a direct impact on the performance of our Life & Pensions business.

We are looking for a professional with at least two years' post-qualification experience gained in a Life & Pensions Accounting environment. Self-motivated, communicative and able to produce results against strict deadlines will be essential. Knowledge of unit-linked and with-profits policies would also be desirable.

Salary will be around £24,000pa plus car and finance sector benefits which include non-contributory pension, low interest mortgage and interest-free season ticket loan after a qualifying period.

Please write, enclosing a full c.v., to Rosanne Cole, Personnel Manager, Prudential Holborn Limited, 30 Old Burlington Street, London W1X 1LB.

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INTERNAL AUDITOR (CITY)

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£23 – 30,000 *plus excellent banking benefits*

EftPos UK Limited, a company set up by the major financial institutions in the U.K. to develop and install a national EFT-POS network, require additional resources for its newly formed Internal Audit Team.

The roles will involve audits of computer systems and financial systems, covering audit standards, accounting and banking principles, computer security (systems and software), networks and communications.

Both positions report directly to the Internal Audit Manager and require strong interpersonal, planning and communication skills.

Successful candidates should have a sound education coupled with a professional qualification and two to five years relevant experience, preferably in a banking environment.

Please forward your C.V. to:

Graham Askew,
Personnel Manager,
EftPos UK Limited,
12 Finsbury Square,
London, EC2A 1AS.

No Recruitment Agencies please.

Financial Analysis at the frontiers of technology

Uxbridge, Middx. **c£26,000+Car**

Our client is the European Division of one of the world's largest computer companies. This $multi million turnover Division covers the marketing and service activities across 15 countries in a highly competitive and rapidly changing international market place. The Company's ambitious plans for future development have created two outstanding opportunities for 'fast track' commercial accountants or MBA's aged up to 30.

Forming part of a small, dynamic Financial Planning and Analysis team these high profile positions will contribute to all aspects of business planning and control and play a key role in the commercial decision making process. Responsibilities will include the review and analysis of asset management performance, profitability and key ratios as well as long and short term forecasting, business planning and risk analysis.

The successful candidates will be graduates with sound planning and forecasting experience in the operating subsidiary of an international company. This will ideally be complemented by some exposure to the Head Office problems of data collection, organisation and subsequent analysis. Whilst knowledge of finance is necessary it is essential not to be limited by this and to use commercial skills and analytical ability to develop innovative, creative solutions to business problems. Clearly well developed interpersonal skills and a mature, positive approach will be necessary to deal with senior management at both Group and operational level.

Prospects for these fast track individuals are excellent within a company that actively develops its staff both in the UK and Internationally, if appropriate. Progress will only be limited by personal performance and commitment.

To find out more please apply in strictest confidence, enclosing a comprehensive curriculum vitae, quoting Ref SV 1070 to Keith Evans, Regional Manager, Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW or telephone him on Windsor 0753 856151.

Michael Page Finance
International Recruitment Consultants
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Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Chief Accountant

c£33,000 + Car + Substantial Benefits
West of London

Our client is the major division of a £ multibillion turnover UK pharmaceutical plc. Operating in a highly competitive and complex international market place, it contributes 60% of Group profits and its activities embrace 3 major process manufacturing sites as well as large UK Sales and Marketing operations.

Reporting to the Head of Divisional Finance, the role of Chief Accountant is regarded as pivotal to the success of the division by providing an effective commercial framework for the planning, monitoring, and control of the development and growth of the business. It will make wide-ranging demands on the expertise of the successful candidate. A high level of commercial skills and awareness will be necessary to make an effective input to Sales and Marketing plans and initiatives, whilst understanding the manufacturing processes of a number of complex, technical products will provide a different set of intellectual challenges. Well-developed man-management skills will be required to motivate a team of 30 people on site, and a further 65 at the 3 plants, in order to create a cohesive, proactive finance team.

The successful candidate is likely to be a qualified accountant aged 33–38, preferably a science graduate, and ideally with experience in a large, complex manufacturing environment. You will need a good intellect and strong analytical skills. Your personal qualities will include well-developed inter-personal skills and a mature, positive approach in order to make an effective contribution at Board level and also to manage growth and change with a firm but open participative style.

The position has arisen through internal promotion, and development within this progressive organisation will be limited only by personal performance and commitment.

Can you rise to the challenges and opportunities presented by our client? If so, please submit your CV in application to:
Wayne Thomas, Executive Division,
Michael Page Finance, Windsor Bridge House,
1 Brocas Street, Eton, Berkshire SL4 6BW.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

WIGGINS TEAPE

CHIEF ACCOUNTANT

FORT WILLIAM **c£23,000+Car+Relocation**

Fort William paper Mill is a key producer of idem base and coated papers within the multi-million pound international business of Wiggins Teape Carbonless Papers Limited.

A versatile accountant is now sought to manage the department responsible for all aspects of financial accounting, budgeting and control of the site. As well as product costing, production performance, responsibilities will also include control of raw material purchasing and usage, finished stocks, fixed assets and capital expenditure.

A rewarding opportunity exists for an individual able to demonstrate a record of success in managing the control of complex manufacturing processes in a highly competitive business.

For further information contact:
Accountancy Personnel,
93 Hope Street,
Glasgow G2 6LD.
Tel: 041 204 0944.

CITY OPPORTUNITIES—WITHOUT THE TRAVEL
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CAREER OPEN DAY

Saturday December 10th
10.00am to 2.00pm
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Warwick Quadrant, Redhill.

An opportunity to discuss your career and local vacancies in an informal atmosphere. Light refreshments provided!

For further information contact:
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40 The Broadway,
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Tel: 0293 551881.

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FINANCIAL CONTROLLER

Electronics/Manufacturing Industry
c.£27,000 + car
South Coast

We are able to offer an ambitious Chartered Accountant a key appointment with a prestigious and highly progressive organisation. Our Client is a world leader within the electronics industry and its innovative work has been rewarded by no less than three Queen's Awards for Achievement. Annual sales are presently in the region of £80 million.

You will be joining a dynamic Company during a particularly demanding phase, and this will offer a high calibre professional Accountant excellent scope for development.

Your specific area of responsibility will be to control the Management and Cost Accounting functions. This involves preparation of budgets, forecasts, management information, inventory and project cost control. Supported by a Budgeting and a Cost Accountant, you will control the activities of a team of 20 staff.

Ideally, you will be in the age range 30-40, with several years' post qualification experience in a manufacturing environment. A background with a US corporation and/or in government accounting would be an advantage.

Along with excellent career prospects and a competitive salary, you will receive a first-class benefits package which includes a quality car, relocation expenses and an attractive pension scheme.

Please write in the first instance, quoting ref: FT/381, to : *Liz Ellard, Account Director*, Riley Advertising (London) Limited, Confidential Reply Service, Rex Stewart House, 159 Hammersmith Road, London W6 8BS.

Please list separately any companies to whom your application should not be forwarded.

London Birmingham Bristol Edinburgh Glasgow Manchester Newcastle Nottingham

هكذا من الأصل

NEWLY/RECENTLY QUALIFIED

ACCOUNTANTS

A wide range of opportunities

Esso UK Plc is one of Britain's leading and most dynamic companies and an autonomous subsidiary of one of the world's largest companies, EXXON. It is a highly diverse organisation whose principle activities cover not only the exploration, production and processing of oil and gas products, but also distribution, marketing and retailing. Its strong commitment to its UK operations is backed by a massive investment of £500m in 1988.

Its success depends on giving individuals challenge, responsibility and variety as they develop through a series of appointments across the Company's activities into the future senior management of the company. We are now seeking to fill a number of financial positions which provide outstanding professional and company experience and a high level of exposure as a basis for such a career. Opportunities available are:–

- Personal responsibility for the analysis and evaluation of business performance of one of the companies 6 profit centres.
- Development and analysis of short term forecasts and participation in business planning.
- Preparation of financial statements and financial interpretation and advice to senior management.
- Supervision of the cost analysis group during major changes in business requirements and computer systems.
- Audit of financial and operational controls across the whole range of business activities in the UK and abroad.

Candidates must be high calibre qualified accountants (ACA, ACMA, ACCA) aged up to 28 with a good academic background and the motivation, initiative and communicative ability to meet the challenge of the work. Salaries are extremely competitive and include a comprehensive benefits package together with relocation assistance where appropriate.

The appointment will be based initially in Central London with most, but not all, positions relocating to a new head office in Leatherhead, Surrey (on the M25) in 1990. Appropriate relocation assistance for this move is available.

For further information please contact David Rush, Consultant to the Company on 01-387 5400 (out of hours 01-467 6822) or write to him at Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

Esso

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FINANCIAL ACCOUNTANT

To £20,000

This is an opportunity for a newly qualified ACA or equivalent to join the securities settlements operation of a *leading* investment bank.

You will use your audit experience gained while training to improve existing and develop new independent controls processes, and to assist the company's internal auditors.

You will take a key role in the implementation of a highly sophisticated mainframe settlements systems. This will involve liaison with technical support professionals and senior operations managers.

Additionally, you will be involved with developing the analysis of funding and stock borrowing requirements, profit and loss reporting and the provision of M.I.S.

Communications skills are of paramount importance as is experience with mainframe and pc driven systems. Familiarity with the securities industry will be an advantage, particularly if it includes the industry overseas.

In addition to salary we offer a comprehensive range of benefits including non-contributory pension and private health schemes and a free staff restaurant.

Please apply in the strictest confidence to T.L. Roberts, (Ref: 525), Associates in Advertising, Columbia House, 69 Aldwych, London WC2B 4DX. Please indicate on your application the names of any firms to which your application should not be sent.

associates IN ADVERTISING

MANAGEMENT CONSULTANCY

FINANCIAL CONSULTANTS

We are the leading international management consultancy specialised in quality and productivity improvement. New assignments mean that we need financial professionals to form part of our consulting teams and deal directly with clients.

Ideal candidates will be chartered accountants with a minimum of 3-5 years' experience in accountancy or related business. A knowledge of sophisticated management reporting systems is a must, with good presence and reporting skills.

The position involves extensive travel but will not require relocation, and a knowledge of European languages in addition to English would be an asset.

Very attractive compensation packages are available for the right people, who will have ample opportunity for advancement in responsibility and satisfaction. Send your application and curriculum vitae with salary history to our representatives, marking the envelope Ref.: FU1

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AC

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ADMINISTRATION MANAGER

EMIRATES is the international airline of the United Arab Emirates based in Dubai. We have a substantial and growing network to Europe, the Middle East and the Indian Subcontinent. As an organisation we are committed to providing customer service of the highest standards and our efforts to this end have already won for us the prestigious Middle East Airline of the Year Award from "Executive Travel" magazine. This award comes after only 18 months on the Dubai/London route.

Following internal promotion, the above vacancy has now arisen to head up the airline's finance/administration function in the UK. The duties will include control of the airline's revenue and expenditure together with liaising with BSP, banks and local authorities. In addition, the duties will include control of the UK personnel function.

Candidates should have the necessary personal attributes to work on their own initiative, supervise staff and contribute to the airline's overall development.

Ideally, the selected candidate will be a member of one of the recognised accounting bodies and have a number of years relevant experience in the travel/airline industry.

Please reply with c.v. to: Manager UK, Emirates, 125 Pall Mall, London, SW1Y 5EA. Closing date for applications: December 16, 1988.

AIRLINE OF THE YEAR AWARD

Emirates

FINANCE MANAGER

London — **c£30,000 + Normal Banking Benefits**

OUR CLIENT is a leading UK Merchant Bank. It has an excellent reputation and an outstanding growth record with an extensive and growing international presence in investment management, corporate finance, securities broking and trading and investment banking.

THE ROLE is to develop and manage the format and content of new accounting systems and procedures within the Asset Management business. The rapidly developing importance of Investment Management and its need for Management Information has created this new position, reporting directly to the Divisional Finance Director.

THE REQUIREMENT is for an outstanding young accountant who may also be a graduate. With knowledge of the securities industry, the role requires a quick understanding of complex issues and the conceptual ability to develop solutions to information needs. Mainframe experience and hands-on skills with spreadsheet packages are important.

THE REMUNERATION PACKAGE for this career opportunity is flexible and will reflect best Merchant Banking practice. This appointment is seen as a very attractive base for future progression within the Group.

Please reply in complete confidence enclosing a CV and quoting reference 299A to the Managing Director

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West End House, 11 Hills Place, London W1R 1AG

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column centimetre

For Further Information Contact
01-248 8000
Elizabeth Rowan
Ext 3456
Wendy Alexander
Ext 3526

Management Accountant

c£22,500 + car
Surrey/Sussex border

This £175m Division of a major UK consumer product group has established an enviable reputation as market leader by the determination of dedicated management to consistently enhance the strength of its brand portfolio.

The opportunity to join this dynamic and successful organisation will appeal to recently qualified ACMAs/ACCAs seeking the variety and challenge of real participation in the further profitable development of its operation.

As a key member of a business sector team, the management accountant will play an important role in driving forward performance by the *provision of quality management information and reports.* The scope of the position will include evaluating and advising on promotional activities; advancing the development of business sector reporting; providing financial and commercial objectivity in supporting operational decision making and the financial focus to improve the efficiency of ongoing functions.

Applicants, preferably in the age range 24-29 should be commercially astute and able to demonstrate well developed technical skills, ideally gained in the consumer product industry. Initiative and enthusiasm are essential as are the interpersonal skills and ability to progress within this fast moving environment.

Please reply in confidence quoting reference E149 to:

Adrian B. Edgell
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD, Tel: 0784 71255
Offices in London, Birmingham and Egham.

Mason & Nurse
Selection & Search

Finance Director

CITY OF LONDON — Circa £35,000 + Car + Full Benefits

Our client, a privately owned company, turnover £1M+ is involved in all aspects of high quality printing and marketing, servicing an impressive client list made up of international household names.

The company are now planning to expand their operation significantly over the next few years.

In accordance with the plans for expansion they now wish to appoint a Finance Director who will set up the finance and accounting function and also play a major role in the overall development and running of this already successful business.

Candidates will be qualified accountants aged 30 – 40 years who have already gained excellent commercial/industrial experience since qualification within smaller sized organisations.

Please send a hand-written covering letter and CV to Mr R N Collier quoting ref. no. BML.

MOORES & ROWLAND

Clifford's Inn
Fetter Lane, London EC4A 1AS

MOORES & ROWLAND MANAGEMENT ADVISORY SERVICES LIMITED
A MEMBER OF MOORES ROWLAND INTERNATIONAL

COMPANY NOTICES

TSURUMI MANUFACTURING CO., LTD.
U.S.$20,000,000
2 ⅞ per cent. Bonds due 1991
with Warrants to subscribe for shares of common stock of
Tsurumi Manufacturing Co., Ltd.

NOTICE TO WARRANTHOLDERS

NOTICE IS HEREBY GIVEN, pursuant to Clause 4(F) (iii) of the Instrument (the "Instrument") by way of deed poll, dated 25th September, 1988, made by Tsurumi Manufacturing Co., Ltd. (the "Company") in connection with the warrants (the "Warrants") to subscribe up to Yen 3,128,000,000 for shares of common stock of the Company, that, subject to the appropriate resolution being passed at the Ordinary General Meeting of Shareholders of the Company to be held on 16th December, 1988, the record date for determining the shareholders entitled to receive an interim dividend (being a cash distribution pursuant to Article 293-5 of the Commercial Code of Japan) will be set at 31st March in each year. This resolution, if adopted, will take effect on 16th December, 1988.

The "Dividend Accrual Period" (as defined in Condition 4 of the Warrants) is currently the one year period ending on 30th September in each year. However, as a result of the establishment of the record date for interim dividends mentioned above, the "Dividend Accrual Period" will be deemed to have been amended to mean the six-month period ending on 31st March or 30th September in each year. Thereafter the holder of shares issued upon exercise of any Warrants will be entitled to the dividend in respect of the full six-month period ending on 31st March or 30th September during which such Warrants have been exercised.

Except as mentioned above, the terms and conditions of the Warrants remain unmodified.

1st December, 1988

TSURUMI MANUFACTURING CO., LTD.
By The Tokai Bank, Limited
as Principal Paying Agent

BERGEN BANK INTERNATIONAL S.A.
US$16,000,000 FLOATING RATE SUBORDINATED LOAN NOTES 1989

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the six month interest period from 21/11/88 to 22/5/89, the Notes will carry an interest rate of 9.4375% per annum, and the Coupon amount per US$500,000 will be US$23,855.90, the period being 182 days.

ART GALLERIES

LONDON ORIGINAL PRINT FAIR, Royal Academy, Piccadilly, W1. 2-5 Dec. Daily 11-6pm (Mon 8pm) Adm. £4 incl. cat. 01-439 1231

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PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE ON PROPOSED ACQUISITION BY STRONG & FISHER OF PITTARD GARNAR

The Monopoly and Mergers Commission is investigating the proposed acquisition of Pittard Garnar by Strong and Fisher, the companies are *involved in the preparation and manufacture of clothing leather from sheepskins.*

Any person or organisation wishing to give information or views on the proposed acquisition should write as soon as possible but no later than 12 December to:

The Reference Secretary (Strong & Fisher/Pittard Garnar)
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT

KAMIGUMI CO., LTD.
U.S.$100,000,000
3⅞ per cent. Bonds due 1992
with Warrants to subscribe for shares of common stock of Kamigumi Co., Ltd.

NOTICE TO WARRANTHOLDERS

NOTICE IS HEREBY GIVEN, pursuant to Clause 4(F)(iii) of the Instrument (the "Instrument") by way of deed poll, dated 11th August, 1988, made by Kamigumi Co., Ltd. *(the "Company") in connection with the* warrants (the "Warrants") to subscribe up to Yen 13,355,000,000 for shares of common stock of the Company, that, subject to the appropriate resolutions being passed at the Ordinary General Meeting of Shareholders of the Company to be held on 16th December, 1988:-

(1) the financial year of the Company will be changed from a year ending 30th September to a year ending 31st March; and

(2) the record date for the payment of annual cash dividends will be changed from 30th September to 31st March in each year.

As a result of the changes in the financial year and record date mentioned above:-

(A) the "Dividend Accrual Period" (as defined in Condition 4 of the Warrants) will be deemed to have been amended to mean, except as mentioned below, the one year period ending on 31st March in each year; and

(B) the "Fiscal Period" (as defined in Clause 1(A) of the Instrument) will be deemed to have been amended to mean, except as mentioned below, a period (i) commencing on 1st April and ending on the succeeding 31st March (ii) commencing on 1st April and ending on the succeeding 30th September or (iii) commencing on 1st October and ending on the succeeding 31st March.

The aforesaid changes will take effect on 16th December, 1988. As a transitional measure, the first Dividend Accrual Period, as well as the first financial period of the Company, ending after the effective date of these changes will be the six-month period from 1st October, 1988 to 31st March, 1989.

Except as mentioned above, the terms and conditions of the Warrants remain unmodified and any annual cash dividend on the shares issued upon exercise of Warrants with respect to the Dividend Accrual Period during or at the end of which such exercise takes effect will be paid for the full Dividend Accrual Period as if the shares had been issued at the beginning of such Dividend Accrual Period.

KAMIGUMI CO., LTD.
By The Sanwa Bank, Limited
as Principal Paying Agent

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No. 003269 of 1988
CHANCERY DIVISION
IN THE MATTER OF BRITISH UNDERWATER ENGINEERING LIMITED
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 27th May 1988 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £13,226,386 to £76,602.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffmann at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 12th day of December, 1988.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the said time of the hearing in person or by Counsel for that purpose.

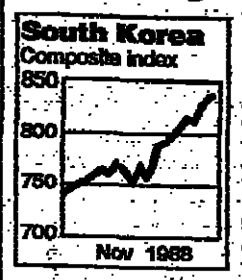
A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on Payment of the regulated charge for the same.

Dated this 28th day of November 1988
Watson Farley & Williams,
Minories House, 2-5 Minories,
London EC3N 1BJ
Ref: SMS

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday December 1 1988

INSIDE

South Korea makes a post-Olympic run



The South Korean stock market is enjoying a post-Olympics marathon, jumping by 26 per cent over the past four weeks to reach an all-time high yesterday. Improved liquidity, strong economic growth and moves to allow greater access by foreign investors are behind the climb, which has seen investment move from the usual speculative stocks to blue chip industrials. Page 42

Treading heavy in the tyre industry

Two major changes were unveiled yesterday in the world tyre industry. Bridgestone of Japan announced a large expansion plan for Firestone Tire & Rubber; the US group it bought earlier this year, which includes increased capacity at plants in the US, Canada and Spain. Meanwhile, Pirelli, the Italian group, announced plans to float a minority stake in its world tyre operations on the London, Amsterdam and New York exchanges. Pages 20, 23

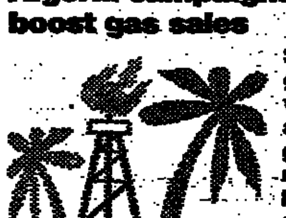
Profits jump sharply at Siebe

Siebe, the British engineering group, yesterday unveiled a 35 per cent increase in interim pre-tax profits, helped by a contribution from Barber-Colman, the US controls company it bought last year. It also announced it had won approval from the German Federal Cartel Office for the acquisition of a controlling stake in Gestra, another controls company. Page 28

Sweet and sour sugar regime

Officials in Brussels are quite sweet on the EC sugar regime, which is self-financing and effectively limits production. For the Community's competitors on the world market, however, the cut-price exports it generates leave a sour taste. Tim Dickson reports. Page 30

Algeria campaigns to boost gas sales



Sonatrach, Algeria's gas monopoly – which has often been accused of selling gas market ideology more than gas – has lowered its sights on export prices and started a worldwide campaign to boost sales. During the past few months it has revived exports to the US, concluded its first-ever sale to Japan and resumed price talks with its biggest LNG customer, Gaz de France. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			Cetelem	690	+ 35
Rises			Hachette	281.5	+ 10.5
Lufthansa	146	+ 4.5	Club Med	518	+ 19
MAN	222	+ 6	Alsthom	372	+ 12.9
Henkel	485.5	+ 8.5	Falls		
Mannesmann	199.5	+ 3.5	GTM-Entrepose	760	– 20
RWE Ord	238	+ 3.5	TOKYO (Yen)		
Bayer	295.8	+ 1.3	Rises		
NEW YORK ($)			Achilles	885	+ 100
Rises			Mitsubishi Elec Mf	1700	+ 150
Chevron	45⅞	+ 1¼	Nippon Business	3500	+ 300
Digital Equip.	93⅞	+ 1⅞	Falls		
Holly Farms	53⅞	+ 1	Nikon Parkeriz	1020	– 60
Mattel	12⅝		[illegible]	2040	– 150
RJR Nabisco	86⅞	+ 2¼	Ishii Food	1450	– 100
Falls					
Union Carbide	25⅝				
PARIS (FFr)					
Rises					
[illegible]	703	+ 58			

New York prices at 12.30.

LONDON (Pence)			Meyer Int.	385	+ 11
Rises			Norcros	333	+ 9
[illegible]	145	+ 8	Pearson	773	+ 18
[illegible]	371	+ 9	[illegible]	235	+ 30
Carlton Comm.	642	+ 13	Ransomes Sims	376	+ 18
Grand Met	451	+ 5	Scot & New.	399	+ 5
[illegible]	384	+ 7	Wimpey (Geo.)	247	+ 4½
[illegible]	435	+ 11	Falls		
[illegible]	698	+ 14	Eurotunnel	448	– 17
[illegible]	282	+ 8			
[illegible]	446	+ 17			
Lep Grp.	148	+ 6			

Meyer acquires UBM in exchange with Norcros

By Philip Coggan

MEYER International yesterday consolidated its position as the UK's largest builders' merchant by swapping its Crosby manufacturing interests for the UBM chain owned by Norcros, the UK conglomerate.

The deal also represents part of a restructuring at Norcros which has been reorganising after narrowly defeating a £570m ($1.55bn) hostile bid from Williams Holdings last year. Norcros acquired UBM just three years ago; this sale represents the disposal of the last of the UBM businesses.

The UBM package, which also includes Cadel, a plumbing and heating merchant, UBM Overseas and Cheltenham Computer Bureau, has been valued at £126m, and the Crosby manufacturing companies at £70m. Consideration will therefore be in the form of a balancing payment from Meyer to Norcros of £55m, of which £30m will be deferred until April, 1990.

The Crosby interests include Crosby Doors, a timber door manufacturer, Crosby Kitchens, a flat-pack supplier, Crosby Windows and Midland Veneers. Crosby businesses made operating profits of £7.6m on turnover of £62.8m last year.

Thus both companies will satisfy their strategic ambitions – Meyer will leave manufacturing and strengthen its position in merchanting, Norcros will achieve the reverse.

For Meyer, the purchase will add UBM's 83 outlets to the 173 Jewson branches it already operates. *Turnover figures for the sector are hard to obtain*, but the company will now have easily the most of branches in the UK.

After some rationalisation, Meyer will have between 230-250 branches. The next largest group, in terms of branches, will be Travis Perkins, which has just been formed after a merger. Meyer owns 20 per cent of Travis Perkins after its own bid for Travis & Arnold was defeated.

In addition to the 83 UBM builder's merchant outlets, Meyer will also acquire Cadel's 34 plumbing and heating merchant outlets. The Combined UBM businesses made profits of £13.8m on sales of £272.5m last year.

The purchase of Crosby will give the enlarged building products division of Norcros an annualised turnover of £280m. Crosby's doors and kitchens business will fit in with Norcros' existing Crittall metal and uPVC frames operations.

Building products will henceforward be around 50 per cent of the enlarged group; the other two main divisions will be printing and packaging and property. Norcros will use the proceeds from the swap to expand.

For Meyer, the sale completes a long term shift in its business balance – in the early 1980s, it was mainly a timber merchant and door manufacturer. But Meyer has gradually withdrawn from manufacturing and it said yesterday it did not think it was possible for the group to be a major player in both merchanting and manufacturing. Following the sale, Meyer's business will be 75 per cent builders' merchanting and 25 per cent timber.

The market reacted well to news of the deal. Norcros' shares rose 9p to 333p; Meyer's shares increased 11p to 385p.

Background, Page 26

Siemens seeks extensive collaboration with GEC

By Terry Dodsworth

SIEMENS, the West German electronics group, is interested in extensive collaboration with the General Electric Company of the UK even if the companies' joint bid for Plessey, the British telecommunications and defence group, fails.

Mr Karl-Hermann Baumann, Siemens's finance director, said yesterday that the West German group had formed its alliance with GEC in the late summer on several potential areas of co-operation.

These talks led to the decision to opt for initial collaboration in telecommunications, defence electronics and semiconductors. But, he added, there were many fields in which collaborative ventures could be launched "irrespective of the bid."

Mr Baumann also rejected criticism that the alliance with GEC could lead to a decline in competition in certain markets. Responding to indications that the UK Defence Ministry might insist on the disposal of several key Plessey activities, he said that Siemens was willing to negotiate.

Siemens stressed that the company would also be arguing that the proposed takeover could lead to increased competition in some parts of the European defence market.

This would be especially true in West Germany, they added, where military procurement departments were worried that the new group of defence electronic companies formed by Daimler-Benz would lead to a reduction of choice.

On telecommunications, Mr Baumann said he was confident that the bid would not meet opposition under anti-monopoly rules, given that a precedent had been set in the merger of the French Alcatel group and ITT's telecommunication activities in Europe two years ago.

The merger of Siemens and GPT, the telecommunications company owned jointly by all GEC and Plessey, would be advantageous to the British industry.

It would be extremely difficult, he argued for GPT to fund the development of the next generation of public telephone exchanges given its present size.

Telephone Rentals raided by C and W

By Philip Coggan

CABLE AND WIRELESS, the international telecommunications group, yesterday launched a raid on the London Stock Exchange on the shares of Telephone Rentals the telephone equipment supplier for which C and W is making a £320m ($593M) takeover bid.

The buying spree, at 340p per share, the level of C and W's increased offer, netted 26.4 per cent of Telephone Rentals' equity. That, added to the 2.1 per cent bought before the bid, means that C and W's stake is now 28.5 per cent.

The raid was launched unusually late in the bid timetable. C and W's increased offer closes next Wednesday, December 7.

But Morgan Grenfell, C and W's adviser, said it was important for the bid to maintain momentum. At the first closing date, C and W had acceptances of just 0.42 per cent of the equity.

A spokesman for Telephone Rentals argued yesterday that the C and W raid would merely shake out loose holders of the stock. It was also argued that the raid would discourage other shareholders from accepting the offer, since C and W would now be locked in as a shareholder even if the bid failed. There was thus a reduced risk of a collapse in Telephone Rentals' share price if the bid did not succeed.

Telephone Rentals issued a new defence document yesterday, reiterating its arguments against the bid. The company argus that it is in a unique position in its market and does not need Mercury, the C and W subsidiary which operates a rival telephone network to British Telecom.

Mr Gordon Owen, managing director of C and W, responded to the document by saying it contained nothing new. "The industrial logic (of the bid) has been widely accepted" he added "and we are looking forward to a successful conclusion to the offer".

C and W shares rose 9p to 371p yesterday and Telephone Rentals' shares increased 7p to 336p.

Morgan Grenfell trims Australian operation

By Chris Sherwell in Sydney

MORGAN Grenfell Australia, the Australian arm of the London merchant bank, is slashing its operations Down Under still further by unexpectedly withdrawing altogether from stockbroking.

Yesterday the bank announced it had sold its private client broking business and confirmed that its small Adelaide broking operation was being bought out by its existing partners.

The sales continue the major re-organisation of Morgan Grenfell's Australian operations which has already seen the closure or disposal of its securities, investment management, capital markets and resources divisions.

Morgan aims to concentrate solely on its corporate advisory work, and to retain its money market and foreign exchange operations.

The private client broking business sold yesterday was formerly Hordern Utz and Bode, in which Morgan initially bought 50 per cent and then raised its stake to 100 per cent.

The buyer, for an unspecified price, is the ANZ Bank's broking business, McCaughan Dyson Capel Cure, which wants to develop and expand its own private client broking business. The Adelaide operation, known as Barnes, Tolhurst & Milner, has been offered to its two former partners.

The overall result of the reorganisation is that a grouping which at one stage had a staff of some 200 and was a major player on the Australian merchant banking scene has now been reduced to a quarter of that size with a much lower profile but improved profitability.

The bank's earlier ascendancy coincided with the stewardship of Mr Geoff Hill, its entrepreneurial former managing director, who was a mergers and acquisition specialist. When he moved to Morgan Grenfell's New York office, a posting which did not work out, the bank in Australia acted to re-establish an image more in line with its standing in London.

Riveting tale of a bitter transatlantic takeover fight

Nikki Tait on Avdel's battle to keep its independence

Sixty years ago, an Englishman, Stanley Johnson, sat down with a French engineer on a Normandy beach, sharing lunch and wine. Both, so the story goes, got throughly merry.

The upshot of this happy, chance encounter was that the French engineer handed over his designs for an industrial fastening system and Avdel, now a £100m ($185m) UK-quoted company, was born.

But if the company was born in a haze of goodwill and good wine, its current fight for survival is becoming a far more bitter affair. The company is currently target for a £102m bid from US-based Banner Industries, a rare hostile move by a US group into the UK market.

Already, the bid has veered into some unorthodox areas – share-purchasing above the offer price via a Panamanian company called Easton Holdings, was noted by the Takeover Panel, and only belatedly did Mr Jacques Murray, chairman of fire extinguishers group Nu-Swift, emerge as the buyer (in a personal capacity). Already, too, Avdel's advisers have made some sharp criticisms of the bid's financing and the bidder's gearing levels.

Next week, moreover – with Banner's chief executive, Mr Jeffrey Steiner due back in London – matters look set to notch up a gear. On Monday, the bid reaches its second close. On Friday, day 39 (last date when Avdel can publish a 1988 profit forecast) looms.

The latest fracas comes after years of upheavals for the UK company. Avdel, which is based in a Welwyn Garden City, is what remains of the better-known Newman Industries group.

Newman, which has a long and colourful history, probably claims a place in most City memories because of its lengthy tussle with institutional shareholders, led by the Prudential, over some modest acquisitions in the mid-seventies. (Newman's then-chairman, Mr Alan Barlett, also headed Thomas Poole and Gladstone China, which was making the disposals.)

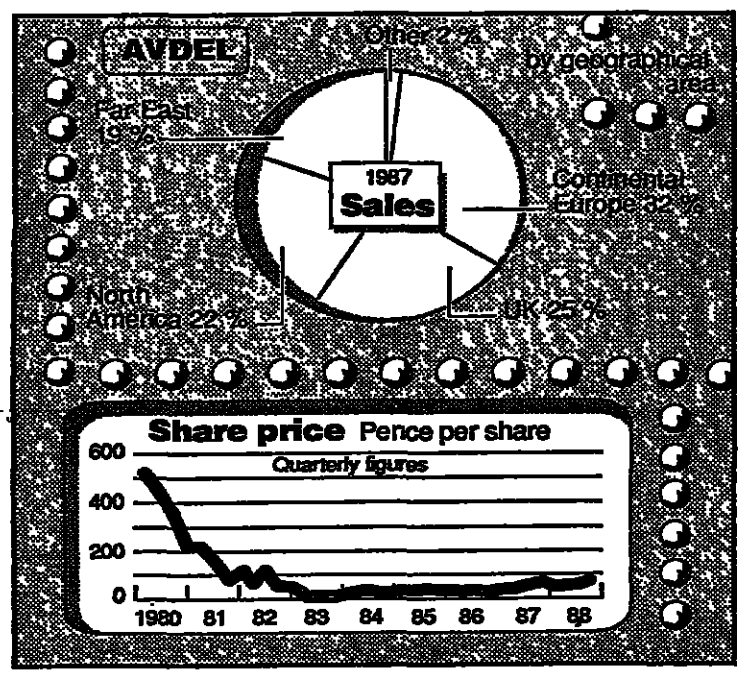
Avdel itself only came into the group in 1978 - by which stage both Mr Johnson and his wife were dead, and in the absence of any children, control had passed to a Swiss foundation.

But its new parent was in for a rough ride. Still in the news because of legal action arising from the TPG debacle, Newman – whose interests ranged from ceramics to casting and electric motors – saw mounting debts and losses in the early-eighties.

Matters improved and, very broadly, Newman's subsequent history became one of disposals coupled – in spite of some hiccups – with improving profits. Today, the likes of ceramics and electric motors have gone and the company has been slimmed back to its Avdel subsidiary. The name changed this year.

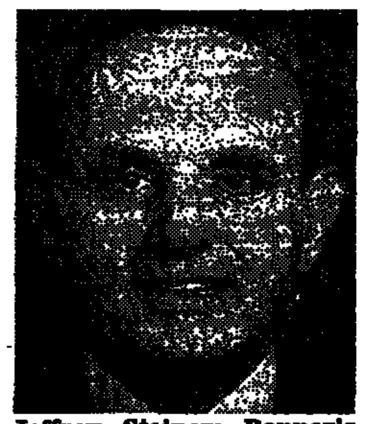
The history is relevant in that, having only just crawled out from the Newman shadow, Avdel is now in the awkward position of having to both defend and explain itself at the same time. Fasteners may not be high glamour, but the UK group reckons to rank among the top four companies worldwide – the other three are subsidiaries of US corporations. Its products range from fasteners to the manufacture of systems for applying them.

The pressure to sell internationally is strong. Within the overall £340m domestic mechanical fasteners market, Avdel calculates that the maximum available segment for its own products is worth some £35m. It already sells almost £20m.



But overseas the picture is rather different. In West Germany, for example, the total market is estimated at DM2bn (£623m), the area available to Avdel at DM200m, and it sells only DM40m. In the US, the figures are $5bn (£2.7bn), $500m and $25m respectively; in Japan, $2.5bn-$3bn, $250m and $20m.

If that suggests expansion opportunities – the company already sees three-quarters of its sales abroad – Avdel also puts much stress on its systems capability. "We are in the business of saving other people money," says chief executive John Marley. Examples are readily supplied: one recent analyst's report quoted the sale to a Nissan subcontractor of a £75,000 machine which cuts the time to fix a car door with 28 rivets to one-twentieth, and on the way usefully consumes some 6.5m fasteners every year.



Jeffrey Steiner: Banner's chief executive

But if the business is international and competitors have the use of large corporate pockets, is it wise to soldier on independently? Avdel itself concedes that the Newman's problems scarcely helped its development, but with gearing reducing - down to perhaps 60 per cent at the interim stage - the company had begun to contemplate modest acquisitions which could have expanded its international presence. In profit terms, the record – though not entirely smooth – is creditable: Avdel's operating profits have risen from just under £3m in 1980 to £11.5m in 1987, and operating margins have remained at just under 16 per cent for the past three years.

Whatever the merits of corporate muscle, the UK company remains deeply opposed to moving under the specific parentage of Banner. The US group's recent history is barely more settled than Newman's. In late-1985, Mr Jeffrey Steiner, a US financier, moved in as shareholder, chairman and chief executive of the *Ohio-based supplier of aircraft* tyres and replacement parts.

At first, there were a number of modest disposals and purchases, and then - in January 1987 - an agreed $600m offer for the much-larger Milwaukee-based Rexnord group, already in the throes of a recapitalisation plan.

Since then, there has been more restructuring, both via disposals and some acquisitions.

In its offer document, Banner argues that its own fasteners business, with sales of $122m in the year to end-June, is complementary to Avdel's; that it could help Avdel push in the US market; and that combined marketing opportunities would result from the deal.

Avdel's retort is that synergy is overplayed; that Banner's business is heavily weighted towards aerospace/defence, taking 75 per cent of fastening sales, from which it has spent decades diversifying; and that the hefty debt levels of the combined group would depress Avdel's progress.

London analysts are not unsympathetic: "Avdel is at the quality end of the fastener market," comments Hoare Govett.

The arguments, however, are somewhat subsumed by the fact that cash - 80p a share - is on the table. The key question, then, boils down to whether this adequately reflects Avdel's prospects. Any forecast next week will be eagerly awaited – but at present analysts seems to be predicting between £11m and £12m pre-tax for 1988, and perhaps £13.5m in 1989. That suggests an exit multiple – virtually historic – of about 13-14 times and a prospective of perhaps just under 12.

The market, pricing Avdel at just over 80p, probably suspects that something more may be forthcoming. The share register also makes interesting reading; while Banner has an option over a 27.6 per cent holding (acquired from Suter), about 40 per cent of the shares are in the hands of 15 institutions, M&G with about 10 per cent is the largest. The fight, it seems, can only get fiercer.

Managers lift RJR Nabisco bid

By Anatole Kaletsky in New York

THE RECORD-BREAKING takeover auction for RJR Nabisco remained undecided yesterday morning, as the company's management unexpectedly raised to $108 a share the supposedly final bid they had submitted to the company on Tuesday night.

Prior to the management's announcement rumours swirling round Wall Street appeared to favour a $23bn-plus offer presented by Kohlberg Kravis Roberts, the biggest US leveraged buy-out group.

KKR's offer, said by executives to be worth $102 or $103 a share in a mixture of cash and securities, seemed to edge out the $101 a share offer first made by RJR's own management, backed by Shearson Lehman Hutton and Salomon Brothers.

The third bid, submitted by an investor group led by First Boston and nominally worth over $104 a share, was said by officials involved in the auction to have been virtually ruled out because of uncertainties about financing and taxation. These doubts made the First Boston proposal's true value almost impossible to gauge, they said.

However, officials noted that all three of the bids submitted to RJR contained large non-cash elements, making precise comparisons difficult and leaving open the possibility that the offer eventually selected would not be the one with the highest nominal price.

RJR's shares rose $1⅞ to $92⅞ in yesterday as Wall Street awaited a formal statement from the company about the auction results.

Nevertheless, attention earlier focused on the KKR bid, in part because of pessimistic comments made late on Tuesday night by members of the two rival groups. Spokesmen for the management-Shearson team at one point indicated that they were bowing out of the competition, but this statement was amended yesterday morning, when the group said closer study of its bid showed it to be "comparable in value to KKR's."

A bigger reason for scepticism about the First Boston offer emerged late on Tuesday, however, when Congressman Jack Brooks, chairman of the House Government Operations Committee, disclosed a letter he had sent to the Attorney General, urging him not to expedite the routine anti-trust review of any of the RJR bids.

A crucial element in the First Boston proposal was to have been completion of the deal before the end of the tax year on December 31. Any delay would undermine the financial rationale of First Boston's approach.

● ITT Corporation, which had already sued RJR and its management for the losses suffered by bondholders after the company's leveraged buy-out announcement, said it was filing a similar litigation against Campeau Corporation and Federated Department Stores. Federated, which was taken over by Campeau in a highly leveraged merger this spring, was said in the suit to have withheld material information from bondholders about the possibility of a takeover.

GE/Union Carbide silicone plan fails

By James Buchan in New York

AN AMBITIOUS plan by General Electric and Union Carbide to merge their silicone-based chemicals operations into a $750m worldwide business collapsed yesterday because of opposition from anti-trust authorities and management disagreements.

The deal, designed to create a stronger competitor to Dow Corning, the US and world market leader, is the second consolidation deal in the chemicals industry to run into trouble with the Federal Trade Commission. Last month, the commission said it would try to block the 1987 merger of Hoechst and Celanese because it would reduce competition in another specialty chemical, the plastic acetal.

Both GE and Carbide said yesterday they were confident they could have come to an arrangement with the commission. Other companies have overcome commission opposition by disposing of business lines where competition would be reduced. Ms Janice Mansfield, of GE's plastics division, said that talks really broke down over sub-agreements in the merger, which would have given GE 70 per cent control of the new company.

Even so, the commission's threat on November 2 to seek an injunction against the merger appears to mark a new activism by Washington anti-trust authorities in the face of the consolidation in the world specialty chemicals industry.

Silicones are additives used in the rubber, construction, motor and personal care industries. GE, with about $450m in sales, and Union Carbide, with around $300m in sales, are second and third in the world market. The FTC was anxious that the disappearance of an independent producer would weaken rather than strengthen competition with Dow Corning, a joint venture of Dow Chemical and Corning Glass, with over $1bn sales.

The only other significant supplier to the US market is Wacker of West Germany. The collapse of the merger leaves Connecticut- based Union Carbide in the weakest position.

Thomson, Aerospatiale discuss avionics tie-up

By Paul Betts in Paris

THOMSON CSF, the French state-controlled defence and electronics company, and Aerospatiale, the French state aerospace concern, are negotiating a merger of their military and civil flight electronics businesses to form the largest European group in this sector with annual sales of FFr3.6bn ($610m).

The move reflects the current trend of regroupings in the world aerospace and defence industries with major companies seeking to build themselves up to compete internationally.

Thomson said yesterday that the talks with Aerospatiale, which have the strong support of the French Government, were expected to be completed within three months. Both Thomson and Aerospatiale would share ownership of the new combined flight electronics operation.

Thomson's avionics division has annual sales of FFr1.57bn. Aerospatiale owns three subsidiaries in this sector, including Sfena with annual sales of FFr1.34bn, Crouzet with sales of FFr680m and EAS with sales of FFr170m.

The merger would create a group with annual sales of about FFr3.6bn, making it the fourth largest in the world behind Honeywell/Sperry, Litton and Allied of the US.

The two French companies indicated yesterday that competition in the flights electronics industry was intensifying following several mergers in this sector in the US and the UK.

Thomson said yesterday that the two companies had been considering a possible tie-up of their flight electronics operations for two years. The imminent agreement in this sector could now also open the way for other eventual strategic agreements between French groups in the defence, aerospace and electronics sectors.

The two French companies indicated yesterday that competition in the flights electronics industry was intensifying following a series of mergers in this sector in the US and the UK. Moreover, they said they would envisage possible links with other avionics companies if they both felt it was in the interest of both partners.

Thomson said yesterday that the two companies had been considering a possible tie-up of their flight electronics operations for the past two year.

The imminent agreement in this sector could now also open the way for other eventual strategic agreements between French groups in the defence, aerospace and professional electronics sector.

The joint GEC-Siemens bid for Plessey coupled with the recent regrouping of the West German aerospace industry around Daimler-Benz has caused much concern in France and could speed French efforts to encourage closer co-operation and mergers between French defence, aerospace and electronics groups.

State Farm 'violating insurance law'

By Nick Bunker

ILLINOIS-based State Farm, the world's largest motor insurer, has been told by regulators in California that it is breaking the law with measures it says it took to protect its policyholders against damage from Proposition 103, the insurance price-cutting measure passed by voters in the state on November 8.

Ms Roxani Gillespie, California's insurance commissioner, has written to State Farm and another insurer, Safeco, saying they are violating local laws which forbid insurance companies to discriminate against new customers by charging them higher rates than apply to existing ones. Her letter, on Monday, said she would not tolerate "unethical business practices" while the state's Supreme Court was delaying implementation of 103.

State Farm has 17 per cent of the California motor insurance market. A week after the passof 103, which provides for immediate cuts of up to 30 per cent in insurance premiums, State Farm stopped issuing new policies at the cheap rates.

State Farm's largest company stopped taking new motor business altogether.

Chilean airline bidding stopped

By Barbara Durr in Santiago

BIDDING for a 32.7 per cent stake in Lan Chile, Chile's national airline, which was being offered to the private sector, has been stopped.

Six companies, including British Airways, qualified last month to bid, but eleventh-hour changes in the bidding rules sowed confusion and apparently led to the withdrawal of four of the bidders.

Corfo, the state holding company, received a single bid, a joint offer from two of the three qualified companies, Guinness Peat Aviation, with the Chilean forestry and agricultural company, Forestal Quinenco. But the offer did not meet Corfo specifications for financial guarantees and was not accepted.

Government authorities late last week announced that Ladeco, Chile's private airline and a pre-qualified bidder, was not suitable for acquiring Lan Chile's shares because competition in national air routes would be virtually eliminated. For the same reason, authorities said that another bidder, the European Bank for Latin America, would have to sell its 12.5 per cent stake in Ladeco, should it win the bidding for Lan Chile.

Adding to the last-minute confusion, authorities said that Corfo would no longer be required to keep 40 per cent of Lan Chile's shares, one of the original conditions of the privatisation. Now, apparently, the Government intends to privatise completely the airline. Currently, employees own 15 per cent of the company and Compania de Acero Pacifico (Cap), another of the six bidders, owns 1.3 per cent.

Cap and British Airways withdrew from the bidding and Corfo said it was conducting an inquiry as to why the companies declined to participate. No new date has yet been set for reopening the bidding.

Campeau to sell Ann Taylor chain

By David Owen in Toronto

CAMPEAU Corporation, the Toronto-based property and retailing group which has run into problems since buying two US department store chains in quick succession for over US$10bn, has agreed to sell for $430m its Ann Taylor division to a corporation formed by Merrill Lynch Capital Partners, Mr Joseph Brooks and Ann Taylor management.

The move is the latest in a string of divestments designed to help Campeau finance its burdensome debt. In October, investors shunned a proposed $1.15bn offering of junk bonds by Federated Department Stores, the Campeau unit, due to concern over its ability to pay the required yield.

The price, $420m of which will be paid in cash, is considerably below the $500m that Campeau was originally reported to have been asking. Campeau acquired the upmarket women's apparel chain in December 1986 when it bought Allied Stores for $3.4bn.

The 110-store chain had sales in fiscal 1987-88 of $250m – up sharply from $198m a year earlier. Profit, however, was ahead only marginally at $35m, compared with $33m in 1986-87. Sales per sq ft totalled $750, one of the highest rates.

Pirelli to float tyre operations

By John Griffiths

PIRELLI, the Italian tyres and cables group, plans to float a 20 to 30 per cent holding in its world tyre operations on the London, Amsterdam and New York stock exchanges late next year or early in 1990.

The first stage of the plan will be put in place early next year, when the tyre operations – which account for about 45 per cent of Pirelli's total turnover – are reorganised into a new company, Pirelli Tyre Holding BV, to be based in Holland.

Prior to its float, this company will be controlled 80 per cent by Pirelli SpA, the holding company which in turn controls 80 per cent of the tyre and cable group, and 20 per cent by Societe Internationale Pirelli, a Basle-based company which is Pirelli SpA's own largest shareholder.

Mr Ludovico Grandi, managing director of all Pirelli's tyre operations, told the *Financial Times* that operating activities at Pirelli's tyre plants worldwide would be unaffected by the reorganisation.

The restructuring was being undertaken to simplify the group's complex corporate structure, to provide increased flexibility in the event of joint ventures or acquistions and to attract international investors, said Mr Grandi. It should also allow Pirelli to publish consolidated balance sheets for the first time, starting with the current financial year.

Mr Grandi put no financial value on what Pirelli might hope to realise from the flotation.

Last month Pirelli group announced a 32 per cent rise in interim net group profits to $106m on sales of $3.3bn. This followed by a few weeks Pirelli SpA's announcement of full-year profits for the holding company of L70bn ($50.7m). Pirelli SpA's financial year ends on June 30, while the operating companies follow a calendar year.

The half-year results did not include any contribution from Armstrong Tire Company of the US, which Pirelli bought earlier this year for $196m after making an unsuccessful $1.9bn bid for Firestone Tire and Rubber.

Ironically, a disclosure by Mr Grandi that Pirelli intends to invest $200m in Armstrong over the next three to four years coincides with yesterday's announcement by Bridgestone, the successful bidder for Firestone, that it is to invest $1.5bn in expanding Firestone's capacity by about 30 per cent as part of Bridgestone's declared intent to become the world's biggest tyre maker.

Goodyear and Michelin this year are each expected to have about $8bn in tyre sales, with Bridgestone/Firestone in third place at about $6.5bn.

According to Mr Grandi, Pirelli is in fifth place, with expected sales – including those of Armstrong – of $3.8bn in the current year.

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INTL. APPOINTMENTS

Significant move at Lafarge Coppée

LAFARGE Coppée, biggest cement producer in France and North America and third-largest in the industry world-wide, has appointed Mr Bertrand Collomb joint executive vice chairman of the group, effective January 1 next year.

The other executive vice chairman is Mr Jean Francois, who has already held the position for 14 years. Apart from the two vice chairmen, the executive board will then comprise Mr Olivier Lecerf (chairman), Mr Bernard Kasriel and Mr Jacques Lefevre.

The appointment of Mr Collomb, who is 46, is widely seen as marking him as heir-apparent to Mr Lecerf.

Mr Collomb joined Lafarge in 1975, before its 1980 merger with Coppée. He became general manager of the Ciments Lafarge France subsidiary.

He was made a member of the group's executive board last year, and since 1985 has headed Lafarge Corporation, a leading US building materials concern majority owned by Lafarge Coppée.

* * *

COMMERCIAL Union Assurance, one of the leading UK composite insurers, has appointed Mr Bernard Pottier chief executive of the company's operations in France.

Mr Pottier, 45, will be managing director of Commercial Union France, holding company for the region, and Financiere St Georges, and chairman of L'Epargne de France and Commercial Union IARD.

He has risen to prominence in the French insurance industry over the past 21 years, and is chairman of the French Life Assurance Association.

* * *

ON THE Spanish scene, the next chairman of the state-owned Banco Exterior de España is to be Mr Francisco Luzon, currently a senior executive at Banco Bilbao Vizcaya, Government officials stated.

He will succeed Mr Miguel Boyer, a former Socialist Finance Minister.

BBV, a Basque banking group, resulted from the recent merger of Banco de Bilbao and Banco de Vizcaya, two of the leading banks in Spain.

Mr Boyer recently agreed to become chairman of Cartera Central, a holding company jointly owned by a Spanish construction group and the Kuwait Investment Office. Cartera has holdings in Banco Central and Banco Español de Credito (Banesto).

Central and Banesto plan to merge next year, forming Banco Español Central de Credito, vying with BBV for top place among Spanish banks.

* * *

TWO SENIOR executive appointments have been announced by Republic New York, the US bank holding company founded by major shareholder Mr Edmond Safra, 56, the internationally famous banker of Lebanese descent who is honorary chairman.

Although classed as a medium-sized company on assets rating, its ranking has been very high in recent years judged by profitability, earnings growth and liquidity.

Mr Martin Clarke has been named executive vice president and managing director of Republic New York (UK), the eurobond trading subsidiary. He is rejoining Republic from County NatWest, of the UK, where he was international securities sales chief.

Mr Jean Pierre Diels has been promoted to executive vice president of Republic National Bank of New York, the holding company's principal subsidiary, and will continue to head the national banking division.

INTERNATIONAL COMPANIES AND FINANCE

Dresdner signals services move

By Andrew Fisher in Frankfurt

DRESDNER BANK, the second largest commercial bank in West Germany, yesterday signalled its intention of moving deeper into the broad area of financial services by announcing a series of moves in corporate finance, business consultancy, real estate, and mortgage financing.

"The market for financial services will change considerably in coming years," said Mr Wolfgang Roeller, chairman. "Competition is already tough in this market and it will increase further." The actions include new divisions in the bank, acquisitions and partnerships.

At the same time, he announced a slight dip in earnings for the first 10 months, stating that the decline in the first half had been mostly made up in the buoyant third quarter.

Group partial operating profits for the period were 1 per cent lower at DM1.3bn ($750m), the comparison being with ten-twelfths of the full 1987 result.

The full operating result, including income on own account trading in foreign exchange and securities, was 4 per cent lower, said Mr Roeller. But he declined to give a figure, noting that German banks had very different ways of calculating this total, which they need not disclose by law.

However, if Dresdner worked out its total operating figure on the basis used by one of its rivals, he added, this would have been 20 or 30 per cent higher – one difference being the way securities earnings are treated.

Dresdner is the second of the big banks to report its results, Commerzbank having announced a near 8 per cent drop in partial group profits to DM846m and a 2 per cent rise in the full figure.

Elaborating on Dresdner's plans in financial services, Mr Roeller said a new corporate finance division had been set up, along with a subsidiary to provide equity to expanding companies.

Germany's small- and medium-sized companies (Mittelstand) had a fast growing need for outside advice, he said.

The bank will also set up its own management consultancy operation and co-operate with KPMG, the big international auditing and consultancy concern, in Germany.

In addition, it is buying a leading real estate agency and setting up its own mortage finance company.

It will, therefore, sell its 25 per cent stake in Leonberger Bausparkasse, a regional mortgage bank in which Commerzbank is believed to be planning a stake.

Yves Saint Laurent plans FFr1.5bn capital increase

By Paul Betts in Paris

YVES SAINT LAURENT is planning a FFr1.5bn ($253m) capital increase which will also see Cerus, the French holding company of Mr Carlo De Benedetti, reduce by about one third its stake in the famous French fashion and perfume group.

Mr Pierre Bergé, Yves Saint Laurent's chairman, also said yesterday that he envisaged floating the fashion and perfume house on the Paris bourse in early 1990. Yves Saint Laurent had originally hoped to be floated last year but abandoned the plan in the wake of the October 1987 stock market crash.

Mr Bergé said that the capital increase would enable Yves Saint Laurent to strengthen its balance sheet, provide funds for eventual diversifications and enable Cerus to make a capital gain on part of its stake in the company.

However, he emphasised that Cerus would remain a privileged shareholder of the group controlled by Mr Bergé and Mr Yves Saint Laurent, the fashion designer. The capital increase would be reserved to a new group of institutional investors, he said.

Mr Alain Minc, the Cerus chief executive, said Mr De Benedetti's French holding company intended to shed 2m of the 7.5m shares it held in the fashion business. He said Cerus was expected to make a consolidated capital gain of about FFr400m on its 1989 accounts from the operation.

Mr Minc confirmed that Cerus expected to report net profits of about FFr400m this year compared with profits of FFr300m in 1987. Next year, Mr De Benedetti's French holding company is expecting to see profits rise to more than FFr800m, including the capital gain on the Yves Saint Laurent transaction.

Cerus became a key partner of Yves Saint Laurent two years ago when it helped the French group acquire Charles of the Ritz for $630m. The acquisition was designed to return the Yves Saint Laurent perfume businesses held by Charles of Ritz to the French fashion group.

At the time, Cerus took a 49 per cent stake in the main Yves Saint Laurent holding company 51 per cent controlled by Mr Bergé and Mr Saint Laurent. However, Cerus always indicated it intended to shed part of its stake in the fashion business after two years.

Yves Saint Laurent now expects to report net profits of FFr120m this year on sales of more than FFr2.5bn, company officials said. Operating profits are expected to total FFr400m this year. Perfumes are expected to account for about FFr2.2bn of sales and FFr300m of operating profits while the fashion side will account for FFr300m of sales and FFr100m of operating income.

Galadari agrees loan repayment terms

By Robin Allen in Dubai

A.R.E. Galadari Brothers (AREG), the Dubai-based company which is one of the leading diversified groups in the United Arab Emirates, yesterday signed an agreement with Dubai Bank on terms to repay a Dh401m ($109m) loan.

The loan had been the subject of litigation since AREG ran into liquidity problems in 1985. The settlement marks the final chapter in AREG's long battle to reschedule or settle debts of Dh1bn.

Terms have not been disclosed but it is understood that principal and interest are to be repaid over a "long-term" period – generally accepted to be more than seven years.

Last month, when AREG lost its appeal in the Dubai court against repayment of Dh244m of the Dh401m, it was ordered to pay interest at 9 per cent. The appeal court also ordered the group to repay the full amount.

The principal constitutes loans made by Dubai Bank when it was controlled by AREG. The bank was taken over in 1986 by Union Bank of the Middle East, itself owned 80 per cent by the Dubai Government. UBME changed its name last May to Emirates Bank International.

Twelve domestic and international banks had earlier settled individually on unsecured loans totalling Dh334m – at discounts in some cases of more than 60 per cent. A secured loan for Dh266m from a nine-bank syndicate led by Citibank had also been settled earlier with the syndicate taking a mortgage on the Dubai Intercontinental Hotel and its adjoining Plaza apartment and office complex.

The group's five core divisions – motor agencies, engineering and heavy equipment, property, food processing and publishing are said to be generating a healthy cash flow.This has helped it in many cases to reach out-of-court settlements with many of its creditors.

AREG was awarded the Ford agency last year to add to its Mazda car agency. This was seen at the time as a strong vote of confidence in AREG's management.

Creditanstalt in Dutch deal

By Judy Dempsey in Vienna

CREDITANSTALT-Bankverein, Austria's largest bank, yesterday agreed to sell for an undisclosed sum a substantial part of its holding in Leykam-Mürztaler, the country's giant paper manufacturer to Koninklijke Nederlandse Papierfabreeken (KNP), of the Netherlands.

KNP, one of the leading manufacturers in Europe of coated fine papers, will hold a minority share of just under 50 per cent in Leykam-Mürztaler.

The contract entails KNP setting up a holding company which will hold about 70 per cent of Leykam-Mürztaler's share capital.

At the same time, the contract will reduce Creditanstalt's holding in the group from 70 per cent to under 23 per cent, but it will still retain half the voting shares plus one.

Mr Guido Schmidt-Chiari, Creditanstalt's chairman, yesterday said KNP's equity interest would increase Leykam-Mürztaler distribution and sales throughout Europe as well as confirming the bank's policy of selling off some of its subsidiaries.

The Austrian group, which last year had a consolidated turnover of Sch7bn ($583m) and expected profits of Sch120m for this year, already exports 80 per cent of its total output.

KNP's consolidated turnover totals Sch15bn.

HAL tourism deal worth $400m

By Our Financial Staff

HOLLAND AMERICA Line Trust (HAL), which late last week said it was selling its tourism activities to Carnival Cruise Lines of the US for $625m, said yesterday it would make a $400m book profit on the deal.

HAL said it would continue as an investment firm for the time being. It will have a fund of $700m in cash after completing the sale, which will become effective on January 15. HAL will seek shareholder permission for the transaction at an extraordinary meeting in the first half of January.

In the deal, Carnival will buy HAL's three cruise ships and 18 hotels in Alaska and Yukon, as well as their debts, leaving the Dutch firm without long-term debt.

HAL said it did not expect to pay taxes on the deal's book profit, which pushed liquid assets up to Fl 965 a share, above the current price for the stock on the Amsterdam bourse. Trading in HAL shares was suspended yesterday. HAL shares closed at Fl 1,198 on Tuesday, down from Fl 1,211 on Monday but sharply up from Friday's close of Fl 735.

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INTERNATIONAL COMPANIES AND FINANCE

Bridgestone to invest $1.5bn in Firestone group

By Stefan Wagstyl in Tokyo

BRIDGESTONE, the Japanese tyre company, yesterday announced a $1.5bn expansion plan for Firestone Tire & Rubber, the US group it bought earlier this year for $2.6bn.

The three-year programme includes increasing capacity at three large Firestone plants, in the US, Canada and Spain, as well as the expansion of its US distribution network.

The investment, coinciding with a forecast slow-down in North American and European car production, could herald a period of increasingly tough competition in tyre markets.

Bridgestone's stated aim is to become the world's largest tyre maker. Currently it is number three, behind Goodyear of the US and Michelin, the French group.

Bridgestone's move will help allay fears voiced in the US at the time of the Firestone acquisition that it planned to run down Firestone in order to expand sales of the Bridgestone brand in North America and Europe.

Nevertheless, an unquantified part of the new capacity at Firestone will be used to make Bridgestone brand tyres. Also, Bridgestone tyres will be sold through Firestone's MasterCare vehicle service business.

About $1bn of the investment will be in the North American tyre business, chiefly for expanding output at a Firestone factory at Wilson, North Carolina, by 30 per cent and at Joliette, Quebec, by 40 per cent. Also, MasterCare's network of 1,500 centres will be increased by 300.

Some $300m will go on tyre operations elsewhere, mainly in Europe, including a 30 per cent expansion at a factory in Burgos, Spain.

The final $200m will be spent on Firestone's non-tyre businesses, including the expansion of capacity in synthetic rubber and fabric and in roofing materials.

More than 100 Bridgestone staff, specialising in production, research and development, will be seconded to Firestone to help raise "product quality and productivity."

Bridgestone added that it was considering a separate expansion plan for the its own plant at Tennessee.

Buoyant electronics lift Toshiba and NEC

By Michiyo Nakamoto in Tokyo

BUOYANT demand for electronics devices has enabled Toshiba, the Japanese maker of electric and electronic goods, to lift consolidated net income for the first half ended September by 203 per cent to Y53.4bn ($439m).

Sales were Y1,818bn, up 6 per cent from a year ago. Pre-tax profits jumped by 161 per cent to Y98.72bn.

The rise in profits was mainly due to brisk demand for office automation equipment, particularly semiconductors and personal computers which were in greater demand, not only in Japan, where the company has benefited from stimulation of the domestic economy, but also overseas.

As a result, Toshiba's information communication systems and electronic devices divisions posted a 20 per cent increase in sales over the first term last year.

Overseas sales and exports were also up by 9 per cent, helped considerably by the success of Toshiba's personal computer plant in California which opened in August, 1987, and by buoyant demand for semiconductors.

Toshiba forecasts a 7 per cent rise in sales for the whole of fiscal 1988, to Y3,820bn, and an 81 per cent increase in net income to Y110bn, largely on continuing demand for its electronics devices and semiconductors.

NEC, the big Japanese maker of computers and semiconductors, said net earnings in the first-half ended September 30 more than doubled to Y26.2bn or Y17.66 per share from Y9.515bn or Y6.64 in the previous year.

Consolidated pretax profit surged 72.4 per cent to Y48.7bn from Y28.2bn. Sales totalled Y1,425bn, up 14.7 per cent from Y1,242bn.

Sales of communications equipment in the six months rose 13.5 per cent to Y399.6bn from Y352bn, while computer sales totalled Y549.1bn, up 8.5 per cent from Y506.2bn. Those of electronic devices surged 24.6 per cent to Y263.6bn from Y211.6bn.

Samancor plans to shake up stainless steel market

Jim Jones in Johannesburg on South African ferro-alloys producers' plans

The world's stainless steel industry is in line for a major shake-up next year if Samancor, the South African ferro-alloys company, goes ahead with plans to make its own steel.

For the present Mr John Muller, Samancor's acting managing director, is reluctant to talk about the project in any but the most general terms, but the company's competitors here have fewer inhibitions.

It is a highly risky venture as most of the world's stainless markets are closed to outsiders, says Mr Leo Melvill, the marketing director of Middelburg Steel & Alloys. He adds that South Africa's manufacturers of ferro-chrome, one of the basic ingredients of stainless steel, need to be careful about producing stainless steel in competition with their principal foreign customers.

At present Middelburg is South Africa's only stainless steel producer and will increase its production of rolled products to 150,000 tonnes next year from the present 100,000 tonnes.

This year the non-communist world will produce 10.2m tonnes of stainless and speciality steels, and the people marketing Middelburg's production are sensitive to the risk that additional production could disrupt the market.

Middelburg sells small tonnages in several markets, while it seems Samancor plans to produce 250,000 tonnes of stainless billets destined for a single market – Taiwan.

Mr Gert Jonker, a director of ferro-chrome producer Consolidated Metallurgical Industries, says Samancor's stainless production plans are logical. He believes the proposed plant's output is destined for Tangeng, the Taiwanese steelmaker and an important customer for Samancor's ferro-chrome.

Hot billets, the crudest form of stainless steel, will be exported to Taiwan for the more complicated and costly annealing, pickling and cold rolling processes. At a time when ferro-chrome is in particularly short supply, the Taiwanese steel company is clearly attracted by the prospect of a secure supply for its stainless rolling mills.

Between 1970 and 1987, Middelburg estimates, world stainless steel production rose at an average annual rate of 3.5 per cent. Growth has been crimped this year by shortages of ferro-chrome and nickel prices rising on supply disruption fears.

Although South Africa's ferro-chrome production is set to rise sharply over the next few years as new capacity comes on stream, over-supply is unlikely to be a noticeable factor in 1989, said Mr Jonker.

Last year South Africa produced half of the world's 2.22m tonnes of ferro-chrome, though its percentage share of this year's 2.47m tonnes has slipped slightly. By 1993, however, about 650,000 tonnes should have been added to South Africa's total ferro-chrome capacity, lifting annual output to about 1.8m tonnes.

Ferro-chrome demand last year outstripped supply by about 77,000 tonnes and as the deficit rose to about 150,000 tonnes in 1988 the alloy's price rose sharply with customers being rationed and world inventories cut to their present 1.5 weeks of demand.

Inventories are now so low that any delays in shipments from South Africa can seriously disrupt some stainless manufacturers' production schedules. Next year additional production from South Africa and other, more costly, producers should ensure the deficit is eliminated.

South African producers do not expect prices to soften. They believe 1989 will be the year of rebuilding inventories and that present ferro-chrome prices can be maintained.

They are less certain about prices rising for, as Mr Jonker sees it, higher ferro-chrome prices could force stainless steel makers to raise their prices and make stainless uncompetitive. Demand for stainless steel has firmed in recent years because comparatively flat prices made it competitive against increasingly costly plastics and aluminium.

The steel's comparative cheapness also gave it the edge in construction projects where it became cheaper than conventional carbon steels judged by life cycle costing.

LTA interim profits restricted

By Jim Jones

COMPLETION of old contracts won when margins were particularly narrow has restrained interim profit growth at LTA, one of South Africa's largest civil engineering and construction groups.

Though the industry remains very competitive the directors are confident operating results will improve. Turnover rose to R838m ($241m) in the first half ended September 30 from R610m in the corresponding period of 1987.

The interim operating profit before interest and tax rose to R7.9m from R6.5m and pre-tax profit was R6.2m against R5.1m. In the last financial year turnover was R1.24bn, the year's operating profit R10.3bn and pre-tax profit R9.3bn.

The directors base their optimistic forecast on LTA's participation in several major projects in the sub-continent. They say the company is already involved in the Lesotho Highlands water project and the Mossel Bay synthetic fuels project.

First-half earnings per share were 21 cents against 11 cents a year earlier. Ordinary dividends have not been declared since 1984.

LTA is controlled by Anglo American Corporation, South Africa's largest mining house.

● Tempest International, the Swiss audio products maker, has sold its South African interests to Supersonic Radio, the local subsidiary of the Dutch Interboard company, for R21.1m ($7.5m at the financial rand exchange rate).

INTERNATIONAL CAPITAL MARKETS

Vanilla $ straight finds favour in quiet trading

By Dominique Jackson

A SINGLE plain vanilla dollar straight for Credit National, which met a warm reception, formed virtually the only highlight in a subdued Eurobond market yesterday.

Some dealers cited Friday's US employment and pay roll data for November as a key factor behind low levels of activity, while others noted that a few houses were already beginning to wind down ahead of Christmas and the year-end.

LTCB was the lead manager on the $160m four-year deal for Credit National which carries the prized Republic of France guarantee. The deal came to the market at an initial yield margin of 39 basis points over comparable Treasury securities, a spread considered fair.

The lead manager said syndication was completed swiftly with five co-leads and more than 30 co-managers coming into the deal. The top quality of the borrower and the lack of any similar paper in the sector helped to propel the deal and it was well bid within its total fee level all day.

Deutsche Bank Capital Markets brought two well-received deals. An Ecu100m issue for Banque Nationale de Paris, an ideal name for the sector, carried an attractive 7⅞ per cent coupon and was well bid within fees. The other deal, a A$50m issue for the Tasmanian Public Finance Corporation, carries the guarantee of the Treasurer of the state of Tasmania and was bid at a discount of 1.80, compared with total 2 per cent fees by the end of the day.

In Germany, two new public deals emerged. Commerzbank's

INTERNATIONAL BONDS

DM125m subordinated seven-year deal for Danish savings bank Sparekassen Bikuben reportedly saw interest from within the lead manager's own branch network, which could take some time to filter through.

However, the deal was considered a little on the tight side for a borrower which does not have a high investor profile in the sector. It was quoted bid on fees by the lead manager although bids outside the fees were heard elsewhere in the market.

● The European Investment Bank came to the bulldog sector of the sterling-denominated bond markets with a £100m issue due 2009. A bulldog bond is an issue in the UK domestic market for a foreign or supranational borrower, and the EIB deal follows a similar issue for Portugal just over a month ago.

BZW won the EIB mandate for the bought deal in a competitive tender. The borrower invited houses to bid for the issue on which it had determined to offer a 9½ per cent coupon.

The issue was eventually priced at 95.586 per cent and, at its opening price, offered an initial yield margin of 83 basis points over the 9 per cent Treasury stock of 2008. The borrower has three issues outstanding in the sector, all with slightly shorter maturities.

The senior, unsecured issue is in registered form and features a purchase fund which will operate in the first four years, retiring up to a maximum of £15m.

Senior syndicate managers at other houses suggested that the pricing of the issue could have been marginally more generous. Nevertheless, BZW said it had sold most of the issue in a relatively short period following its launch, retaining a portion for itself to maintain a trading position.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Credit National◆	160	9½	101¼	1992	1⅝/1⅛	LTCB Int.
AUSTRALIAN DOLLARS						
Tasmanian Public Fin.◆	50	14	101⅝	1995	2/1⅜	Deutsche Bk Cap.Mkts
STERLING						
EIB(b)◆	100	9½	95.586	2009	n/a	BZW
ECUs						
BNP◆	100	7⅞	101⅞	1994	1⅞/1¼	Deutsche Bk Cap.Mkts
D-MARKS						
Osaka Gas Co.◆	130	5½	101¼	1994	2/1¼	WestLB
Sparekassen Bikuben◆	125	6⅛	100	1995	2¼/1⅜	Commerzbank
DG Bank Luxembourg★★◆	150	5½	100½	1993	n/a	DG Bank
SWISS FRANCS						
Final terms fixed on:						
Aichi Sharyo Co.(a)★★§◆	50	½	100	1994	n/a	Handelsbank NatWest

★★Private placement. §Convertible. ◆Final terms. a) Put option 31/3/91 at 107½ to yield 3.686%. b) Purchase fund.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93⅛	94	0	-0⅛	9.88
Amer. Brands 8⅞ 92	150	†94¾	95¼	0	+0¼	10.56
A/S Eksportfinans 7¼ 92	150	93⅛	93⅞	+0⅛	-0¼	9.73
Barc. Bk. Fin. 10¼ 89	200	†100½	101	0	+0⅛	9.43
B.F.C.E. 7 92	150	†92⅞	93⅛	+0⅛	+0⅛	9.47
British Telecom 7⅝ 96	250	89¼	89½	+0⅛	-0⅛	9.63
Cal.Natl.Telecom 8½ 93	160	†95¼	95⅞	0	-0⅛	9.83
Canada 9 96	1000	98	98½	+0⅛	-0¼	9.33
Canadian Pac 10¾ 93	100	*†101¾	102⅛	0	-1	10.14
C.C.C.E 9¼ 95	300	98⅛	98⅝	+0⅛	-0⅛	9.59
C.N.C.A 9⅞ 93	150	†99⅛	99⅝	+0⅛	0	6.52
Credit Lyonnais 9 91	200	98⅝	99⅛	+0⅛	+0⅛	9.54
Credit National 8¼ 93	200	94½	95⅛	+0⅛	-0⅛	9.64
Credit National 7¾ 92	100	93⅝	94⅛	0	0	9.54
Credit National 7¼ 91	150	93¾	94⅛	0	-0⅛	9.61
Dai-Ichi Kan 9⅝ 92	150	99⅞	100⅛	+0⅛	-0⅛	9.68
Denmark 7¼ 92	500	92⅞	93⅛	+0⅛	0	9.66
E.E.C. 7 91	100	93⅝	94⅛	+0⅛	-0⅛	9.43
E.E.C. 7¼ 93	250	92⅛	92⅝	+0⅛	-0⅛	9.49
E.E.C. 8 90	350	97⅞	98⅛	+0⅛	-0⅛	9.39
E.I.B. 7⅝ 93	100	92⅝	92⅞	+0⅛	-0⅛	9.53
E.I.B. 9⅞ 97	150	†98½	99	+0⅛	-0½	9.58
Elec.De France 9 98	200	95½	96¼	0	-0⅛	9.70
Finland 7⅞ 97	200	89⅝	90⅛	+0⅛	-0⅛	9.72
Finland 7½ 93	200	92	92½	+0⅛	-0⅛	9.58
Finn.Exp.Cd. 8½ 92	200	96⅝	97⅛	+0⅛	0	9.62
Ford Motor Credit 8 91	250	96⅞	96⅞	+0⅛	0	9.66
Gen Elec Credit 10¼ 00	200	100	100⅝	0	-0⅛	10.21
Gen.Mtrs.Corp. 9¼ 92	200	98⅛	98⅝	+0⅛	-0½	9.64
Halifax BS 9½ 93	200	†98⅞	99¼	+0⅛	-0⅛	9.75
IBM Credit Corp. 8⅞ 91	250	98⅝	99	0	-0⅛	9.42
Italy 9 90	1000	99⅛	99⅝	-0⅛	0	9.27
Lib. Mutual Cap. 9⅛ 93	150	97⅞	98⅛	0	0	9.68
L.T.C.B of Japan 8 91	100	95⅞	96⅛	+0⅛	0	9.66
L.T.C.B.of Japan 8 97	200	89⅝	90⅛	+0⅛	-0⅛	9.86
Mercedes-Benz Cd. 8½ 95	100	†94¼	94⅝	0	-0⅛	9.70
Metropolis Tokyo 9½ 93	200	99⅞	100⅛	+0⅛	-0⅛	9.45
Morgan Guaranty Tst. 7 90	150	96½	97⅛	0	-0⅛	9.76
Norway 8⅛ 93	500	97⅛	97⅞	+0⅛	-0⅛	9.43
Pepsico Inc 7½ 93	200	†91⅛	91⅞	0	0	9.80
Portugal 8¼ 91	300	96½	97⅛	0	0	9.85
Prudential Crp. 8⅞ 94	125	97	97½	+0⅛	+0⅛	9.38
Qantas Airways 10¼ 95	140	102⅞	103⅛	+0⅛	-0⅛	9.69
Rep. of Italy 9½ 95	1000	99⅝	99⅞	+0⅛	-0⅛	9.57
Saskatchewan 10¼ 92	100	103¼	103¾	+0⅛	+0⅛	9.42
State Bk S Aust 9¼ 93	100	98⅛	98⅝	+0⅛	-0⅛	9.72
Sumitomo Bank 9⅝ 92	150	99⅞	100⅛	0	-0⅛	9.56
Swed Exp Cred 7⅛ 91	100	†93⅞	94⅛	+0⅛	0	9.56
Swed Exp Cred 10 92	100	†100⅝	100⅞	0	-0⅛	9.74
Sweden 7 91	250	93⅞	94⅛	0	0	9.43
Sweden 7 92	250	†93	93½	+0⅛	-0⅛	9.52
Sweden 8¼ 96	200	95⅝	96⅛	+0⅛	-0⅛	9.54
Sweden 8½ 92	200	†97⅛	97⅞	0	-0⅛	9.26
Victorian Rep 11⅛ 92	150	105⅛	105⅝	0	-0⅛	9.66
World Bank 7 92	300	†93⅞	93⅞	+0⅛	-0⅛	9.41
World Bank 9 97	300	96¼	97⅛	+0⅛	-0⅛	9.51
Yasuda Trust Fin 8½ 93	100	95⅛	95⅝	+0⅛	-0⅛	9.81

Average price change... On day +0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	102½	103⅛	+0⅛	+0⅛	5.45
Avis Fin.SVS 5⅞ 92	100	101	101½	0	+0⅛	5.44
Bank of Tokyo 5¾ 93	100	100½	101	-0⅝	-0½	5.54
Central BK. Turkey 7 92	200	104	104½	+0⅛	-0⅛	5.73
Commerzbank o/s. 5⅛ 93	300	101	101⅛	0	0	5.03
Degussa Int. 6⅛ 97	200	100¼	100⅞	0	-0⅛	6.02
E.I.B 5½ 98	150	95⅞	96	+0⅛	+0⅛	6.10
E.I.B 6 97	300	99⅝	100	0	0	6.04
E.I.B. 6⅛ 96	300	100½	101⅛	-0¼	-0½	5.99
E.I.B. 6⅛ 97	400	99⅝	100¼	+0⅛	-0⅛	6.12
E.I.B. 6⅞ 95	300	104⅝	105⅛	0	-0⅛	6.00
Euro.Coal& Steel 5⅞ 97	175	98⅝	99	0	-0¼	6.07
Eurofima 6¼ 96	100	101⅛	101⅝	0	-0⅝	6.01
Elec De France 5¾ 97	300	98⅝	99¼	+0⅛	-0½	5.92
Forsmark Krtg. 5¼ 93	200	98⅛	98⅝	0	-0⅛	5.56
I.A.D.B. 6 97	200	99¼	99⅞	+0⅛	+0⅛	6.05
Japan Dev. Bk. 5⅜ 95	300	98⅞	99	0	0	5.63
Japan Finance 5¾ 97	100	97⅛	97⅞	-0¼	0	6.14
Ireland 6½ 97	300	100½	100⅞	-0⅛	-0½	6.37
Malaysia 6¼ 94	150	99	99½	-0½	-0¼	6.40
Nat. West BK. PLC 6 98	300	97⅛	98	-0⅛	-0⅛	6.32
N.H.L. Finance 6¾ 95	200	†98½	99	-0¼	0	6.48
Nippon Telg.&Tel. 6 95	400	101⅞	102	0	-0½	5.99
Oesters. Kontbk. 5 93	300	98⅞	99⅛	0	0	5.30
Portugal 5⅜ 92	150	101⅛	101⅜	0	+0⅝	5.28
Portugal 6⅝ 95	150	102	102½	0	0	6.19
Privatbanken 5¼ 93	150	98⅛	98¾	0	0	5.65
Royal Insurance 5½ 92	300	101	101½	-0¼	+0⅜	5.07
Soc Cent Nuclear 7¼ 95	150	104	104⅝	-0⅛	+0¼	6.43
Turkey 6½ 95	500	97½	97⅞	-0⅛	-0⅞	6.96
Westlb. Finance 5 93	200	†99	99¼	0	+0⅛	5.23
World BK. 6¼ 97	600	100⅝	101⅛	+0⅛	-0⅛	6.05

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†101⅛	101½	+0¼	0	4.78
Asfinag 5 03	100	†101¼	102	-0¼	+0¼	4.84
B.F.C.E. 4½ 98	200	†98½	99	-0⅛	+0⅛	4.66
B.M.W.Fin.Neth. 5 13	150	†96¼	96½	-0¼	-0¼	5.26
Britannia B/S. 4⅛ 94	100	†97	97¾	0	-0½	4.80
CIR. Int. W/W 3 93	125	†99¾	100	0	+0⅜	3.03
Credit Lyonnais 4⅞ 00	100	†97½	98	-0⅜	-0½	5.01
E.I.B 4⅝ 98	150	†99¼	99¾	+0⅛	-0⅛	4.69
Fletcher Chall. 4⅞ 98	150	†96¼	97	-0⅛	0	5.34
Kobe City 4⅝ 98	150	†98¼	98½	-0¼	-0½	4.84
Leeds Perm. B/S. 4⅛ 93	200	†97½	97⅞	-0⅛	-0⅞	4.73
Malaysia 5¼ 98	100	†98½	99	0	0	5.42
Maxwell Comm.Crp. 5 95	150	†100½	100¾	-0⅛	-0⅛	4.88
Nationwide Ang.B/S. 4 93	200	†96½	97	-0⅛	-0⅛	4.81
Nippon Telg.&Tel.4¼ 95	200	†98⅞	99	0	0	4.44
Oesters.Ktbk. 5 03	75	†100	100½	-0⅛	+0⅛	4.97
Rep.National Bk. 4 93	150	†97	97½	0	+0¼	4.32
Thailand 4⅞ 95	200	†96	96½	-0⅛	-0⅛	5.31
World Bank 5 03	150	†101	101½	0	-0¼	4.88

Average price change... On day -0⅛ on week -0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102¼	102½	0	-0⅜	4.71
Belgium 4⅝ 94	45	98½	98¾	+0⅛	-0½	4.91
Canada 4⅜ 92	80	99	99¼	+0⅛	-0½	4.64
Elec. De France 5⅛ 94	20	101	101½	+0⅛	-0⅝	4.85
Ireland 5⅛ 93	30	100	100½	+0⅛	-0¼	5.05
Norway 5⅛ 95	50	101⅛	101⅜	+0⅛	-0⅜	4.89
Rep. of Italy 5¾ 92	150	103⅛	103⅜	0	-0½	4.63
Sweden 4⅝ 93	50	99¼	99½	0	-0⅝	4.78
World Bank 5½ 92	50	103	103¼	0	-0⅜	4.58

Average price change... On day +0 on week -0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS 10¼ 93 £	50	97⅛	97⅝	0	-1¼	11.04
Alg. Bk. Ned. 5½ 92 FL	150	98¾	99⅛	-0⅛	-0¼	5.84
Alg. Bk. Ned. 5¾ 93 FL	200	98¾	99¼	+0⅛	+0⅛	6.01
Amro Bank 6¼ 92 FL	150	101	101⅝	0	0	5.85
Aust.Ind.Dev. 12⅞ 93AS	100	96⅝	97⅛	+0¼	-0¼	13.78
Barc. Bk. 10¼ 97 £	250	94⅛	94⅝	+0¼	-2⅛	11.27
Barclays Aus. 13½ 91	100	99⅝	100⅛	+0¼	+0⅜	13.51
BP Capital 9¾ 93 £	100	94½	95	0	-1⅝	11.30
British Airways 10 98 £	100	91⅞	92⅜	+0⅛	-1⅜	11.40
Buhrmann-Tet. 6⅜ 93 FL	100	100⅜	100⅞	0	+0⅛	6.20
Comm.Bk.Aust. 12⅝ 93AS	100	96½	97⅛	0	+0¼	13.47
Coop.Ctr.Rabo.6¼ 93 FL	100	100½	101⅛	-0⅛	+0⅝	6.03
Coop.Ctr.Rabo.6 92 FL	200	100⅝	100¾	-0⅛	+0⅝	5.83
Denmark 7⅜ 92 ECU	100	†102⅝	103¼	0	-0¼	6.65
Dixons 11 95 £	90	†95⅝	96⅛	0	-1½	11.80
Deut.Bk.Aust.12⅞ 95 AS	70	99⅛	99⅞	+0⅛	+0⅜	12.83
Eastman Kodak 13 90 AS	100	97	97½	0	0	14.79
E.I.B. 7 96 LFr	100	*†98¼	99¼	0	-0¼	7.22
Elec.France 10¼ 95 C$	125	†99	99½	0	-0⅜	10.39
Euratom 7⅜ 97 ECU	145	96⅛	96½	0	-0½	7.99
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†97¼	97¾	0	-0⅛	10.60
Ford Cr.Can.10⅜ 93 C$	100	†99¾	100¼	0	-0⅛	10.72
Gillette Can. 9⅝ 93 £	70	92⅛	92¾	-0⅛	-2	11.79
G.M.A.C. 9⅞ 93 C$	150	†97	97½	0	-0⅛	10.52
G.M.A.C. 9¼ 92 C$	75	*†95	96	0	0	10.84
G.M.A.C Aus. Fin.14 90 AS	50	99⅝	99⅞	+0½	0	14.12
Halifax BS 10⅞ 97 £	100	94⅞	95⅛	+0⅛	-1⅜	11.34
Imp Chem Inds 10 03 £	100	94	94½	+0⅛	-0¼	10.79
Inv.Industry Int.10 93 £	60	95⅛	95½	-0⅛	-1⅝	11.40
Lloyds Bank 10¼ 98 £	150	92⅞	93¼	0	-2	11.49
Montreal Tst.10¼ 93 C$	100	†98⅞	99⅜	0	-0¼	10.96
Nat. West.Bk.13⅛ 92 AS	50	†99⅝	100⅛	0	+0⅜	13.16
Nationwide BS 10⅛ 93 £	75	94⅞	95⅜	+0⅛	-1⅜	11.58
Ned.Midd.Bank 6 92 FL	150	100	100½	0	+0¼	5.90
New Zealand 9½ 93 £	100	93½	94	+0⅛	-1¼	11.34
New Zealand 7¾ 93 ECU	200	100½	101	+0⅛	0	7.52
Oesters.Ktbk.13⅝ 94 AS	75	101	101½	+0¼	+0⅛	13.26
Philips Gleoil. 6 93 FL	300	100⅜	100⅞	0	+0¼	5.83
Prudential Fin.9⅜ 07 £	150	89	89½	0	-0⅝	10.74
Royal Bk.Scot.10⅝ 98 £	125	94⅛	95	+0¼	-1⅝	11.63
Saskatchewan 9⅞ 91 C$	150	†97¾	98¼	0	+0¼	10.73
S.D.R. 7¼ 95 ECU	90	†99⅝	100⅛	0	-0⅛	7.76
World Bank 5¾ 92 FL	100	99⅝	100¼	0	0	5.78
World Bank 13⅛ 92 AS	100	†100	100½	0	+0¼	13.21
Zentrspk. 13¼ 93 AS	75	98⅜	99	0	+0⅛	13.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.69	99.74	21/01	10.99
Belgium 91 US	0	100.14	100.24	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp.91 US	0⅛	99.48	99.65	22/02	8.94
Citicorp 98 US	†0⅛	97.37	97.62	30/11	8.94
Credit Foncier 98 US	.063	99.60	99.70	20/10	5¼
EEC 3 92 DM	†0	101.03	101.13	22/02	5.63
Halifax BS 94 £	.1	99.82	99.87	8/02	12.29
Invt. In Industry 94 £	0	99.94	100.04	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.01	100.06	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.90	99.95	30/12	12.06
New Zealand 5 97 £	.07	100.08	100.18	20/02	12.16
New Zealand 5 01 US	0	99.81	99.91	4/02	8.62
State Bk. New. 98 US	.188	100.28	100.38	13/02	8.87
Woolwich Equit.BS. 93 £	0⅛	99.91	99.96	13/01	12.12
Woolwich 5 95 £	0⅛	99.78	99.83	21/02	12.37

Average price change... On day +0.03 on week -0.04

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101¼	102¼	+0¼	20.44
Alco Health 6¼ 01 US	†7/86	26.25	105½	107½	0	-1.04
Amer. Brands 7⅛ 02 US	9/87	56.7	105⅝	106⅝	0	8.29
Ashikaga Bank 2⅛ 02 US	4/87	967.	150	151	+0¼	8.27
Asics 5 92 DM	12/83	472.7	204½	205⅞	0	2.91
CBS. Inc. 5 02 US	4/87	200.	90⅝	91⅝	+0⅝	8.81
Fujitsu 3 99 US	5/84	1106.	258¼	259¼	-7⅞	-2.52
Land Secs. 6¾ 02 £	6/87	6.72	98⅛	99¼	+0¼	13.49
MCA Inc 5½ 02 US	9/87	69.62	79⅝	80⅝	+0⅛	27.14
Minolta Camera 2¼ 94DM	2/86	1004.	97	98⅛	0	21.36
Mitsubishi Bk.1⅞ 02 US	9/87	3157.	138	139½	+1⅝	6.31
Mitsui Trust 2⅛ 01 US	10/86	1903.	142⅞	143⅞	+3½	7.43
Next Plc 5½ 03 £	11/87	4.3	98⅛	99⅛	-0⅛	176.08
Nippon Hipp.Bk 2⅞ 03 US	4/88	804.	115	116	+0¼	12.56
Omron Tateisi 2¾ 02 US	4/87	1310.	214½	215½	-4	-2.96
Primerica 5½ 02 US	4/87	66.75	64⅛	65⅛	+0⅜	52.70
Ranks Hovis 4¾ 03 £	†1/88	3.5	109	110	+0⅞	8.88
Redland 7¼ 02 £	†1/87	5.4	91	92	+0⅝	20.51
Saatchi&Saatchi 6¼ 03 £	†10/89	4.41	98½	99½	+0¼	29.55
Texas Inst. 2¾ 02 US	9/87	82.87	71	71⅛	-0⅛	66.63
W.R. Grace 6¼ 02 US	9/87	42.12	80⅝	81⅝	0	34.65

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem=Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Brazilian capital flight accelerates

By Ivo Dawnay in Rio de Janeiro

CAPITAL FLIGHT is accelerating in Brazil as a consequence of political and financial instability and general concern over the economic outlook.

According to a study submitted to the central bank, the leakage out of the Brazilian economy reached $3.6bn in 1987 and is set to double to somewhere between $6bn and $7.5bn this year – equivalent to more than half Brazil's total foreign debt liabilities.

Dr Clarice Pechman, the independent economic consultant who wrote the report, estimates that as much as 11.5 per cent of all foreign exchange transactions conducted in the country are taking place in the illegal currency markets.

This worrying picture prompted the consideration yesterday by the interministerial National Monetary Council of a proposal to create a "tourist dollar" aimed at legitimising a proportion of these deals.

Analysis by Dr Pechman, submitted to the Bank, attributes the rapid growth in capital flight to three key factors:

● The increasing use of black dollars as a savings instrument, both to hedge against inflation and to avoid tougher income tax assessments, now imminent;

● The surge in informal debt conversions, whereby creditors accept reimbursement of loans in cruzados, then export dollars bought in the black market;

● Growing under-invoicing of exports and over-invoicing of imports by traders attempting to hold profits off-shore.

Dr Pechman, who is retained as a consultant by Brazil's Hotels and Tourism Association, argues that legitimising free exchange rates for tourists would bring a substantial flow of cash back to the legitimate economy.

Her studies calculate that about 2m tourists spent an average of $87 a day in Brazil last year – or $1.75bn in total – yet only $100m of this was exchanged at official rates.

She strongly rejects, however, a parallel plan to introduce a special import/export exchange rate.

"I am completely opposed to this as it would distort the allocation of resources in the economy," she argued.

"The plan is the result of lobbying by the export sector and in particular the automobile industry. It can't be justified."

Yesterday, the official exchange rate stood at Cz$588 to the dollar, while the black market was buying the currency at Cz$930.

● Record discounts were paid by bidders at a debt-conversion auction in Rio de Janeiro on Tuesday, with buyers paying 50 per cent for the "free conversion area" and 21.5 per cent for projects in the special development areas of the north-east and Amazon.

The high discounts have been attributed to reports that the formal auction conversion system – responsible for $1.7bn in swaps this year – is soon to be restricted or suspended.

Citic acquires stake in HK deposit taker

By John Elliott in Hong Kong

THE PEKING-BASED China International Trust and Investment Corporation (Citic) is buying the Royal Bank of Canada's 50 per cent stake in China Investment and Finance (Cif), a Hong Kong-registered deposit taker with net assets of about US$50m.

Citic's stake is held by Citic Industrial Bank, which already owns the other 50 per cent. Cif was set up in 1984 and provides advice, leasing and loans for projects in China.

Both partners had a right to request the other to sell some of its stake after four years and Citic, which is believed to want to make changes in Cif's operations, recently exercised that right.

Mr Paul Au, Royal Bank's Hong Kong representative, said yesterday that his bank had agreed to sell as it believed this would mean that its "long-term good relationship with Citic would not be damaged."

Heads of agreement have been signed for the sale, which is expected to be concluded within the next few weeks.

● Japan's Finance Ministry will allow the Canadian Imperial Bank of Commerce to sell Japanese government bonds from December 1, Reuter reports from Tokyo.

The ministry will also allow five Japanese regional credit banks to sell the bonds. The bank is the 18th foreign bank to be allowed to sell Japanese government bonds.

هكذا من الأصل

INTERNATIONAL CAPITAL MARKETS

EIB issue turns attention away from long-term gilts

By Norma Cohen in London and Anatole Kaletsky in New York

UK GOVERNMENT conventional bonds closed lower in sluggish trade, with falls among longer issues particularly noticeable.

Dealers pointed to the emergence of a new £100m domestic bond due 2009 for the European Investment Bank as the likely cause for the selling among long-term issues, noting it was the most attractive alternative to long-term gilts for some time.

The issue was priced to give investors a yield pick-up of 85 basis points over the 9 per cent Treasury stock due 2008. It is rated AAA.

As a result, investors were switching out of gilts and into the EIB issue, sacrificing just a little liquidity to attain quite a substantial yield pick-up.

The severe shortage of stock in this sector is already reducing the effectiveness of the long-term gilt futures contract as a hedge - and possibly undermining the willingness of investors to hold long gilts in their portfolios. For instance, the 18¾ per cent stock due 2003/2007, once the benchmark long-term gilt issue, is no longer deliverable for the futures contract.

In addition to the attraction of the EIB bulldog bond, dealers noted switching into medium- and shorter-dated issues, which showed smaller price declines by the close.

But index-linked gilts, in sharp contrast to the conventional sector, posted handsome gains, rising as much as ¾ of point.

Dealers said retail demand had apparently prompted the Bank of England to release some of the index-linked stock it bought two weeks ago as prices fell sharply. In addition, some dealers speculated that a £100m sell programme in UK equities had been diverted, at least partially, into the index-linked sector, which often serves as a proxy for the stock market.

BOND PRICES in Tokyo firmed yesterday, with the benchmark 105th government issue rising Y0.30 to Y102.85. The yield on the benchmark issue declined 0.045 of a basis point to 4.555 per cent.

Meanwhile, the Bank of Japan said the coupon on its new 10-year bond to be auctioned in December would be 4.7 per cent, making it increasingly likely that the 4.6 per cent number 111 bond would become the new benchmark.

The Bank of Japan's moves to add liquidity on Tuesday proved reassuring to investors who had feared a rate rise was imminent.

AUSTRALIAN government long-term bond prices closed unchanged, while short-term interest rates fell broadly.

After data on Tuesday showing that Australian GDP rose only 0.3 per cent in the third quarter, Mr Paul Keating, the Treasurer, said monetary policy was sufficiently tight. This triggered unusually aggressive bidding at the six-month bill auction.

Rates at the auction fell to 14.872 per cent from 14.945 per cent at the last auction. However, short rates are still too high to make it worth investors' while to borrow funds to finance a long-term position.

GOVERNMENT BONDS

REPORTS of moderating economic growth and hopes of stability in the currency and oil markets helped US bond prices extend their recent rally in early trading yesterday.

By early afternoon, the Treasury's benchmark long bond, which had advanced by about ¼ point on Tuesday, added another ⅜ to trade at 99⅜, a price at which it yielded 9.063 per cent.

Money market rates remained stable throughout the morning, as the Federal Reserve added liquidity through overnight system repurchases. The Fed entered the market when Fed funds were trading at 8⅜ per cent, a level at which the funds remained throughout the rest of the morning and lunchtime trading sessions.

The market was encouraged by the stability of the dollar, which managed to remain well above its recent lows despite the absence of central bank intervention. As the day progressed, however, the US currency again showed signs of weakness, falling to Y121.45 and DM1.7310.

Oil prices were also a mildly bullish influence, as the big rally in oil futures which followed the Opec production accord began to stall.

The main factor in the market's favour, however, was the publication of the Fed's "tan book," a compendium of economic information put together for the next meeting of the Fed's open market committee, to be held on December 13 and 14. The tan book said that while economic growth was continuing in most parts of the country, its pace had apparently slowed from previous months.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	107-18	+0/32	11.00	10.47	10.05
	8.750	9/97	91-17	-3/32	10.23	9.93	9.54
	9.000	10/08	98-01	-9/32	9.22	9.11	8.94
US TREASURY*	8.875	11/98	98-14	+4/32	9.11	9.11	8.68
	9.000	11/18	98-24	+3/32	9.12	9.14	8.78
JAPAN No 105	5.000	12/97	102.7557	-0.001	4.57	4.53	4.66
No 2	5.700	3/07	108.4595	+0.315	4.88	4.82	4.88
GERMANY	6.750	8/98	102.2000	+0.175	6.46	6.40	6.30
FRANCE BTAN	8.000	10/93	97.8604	+0.095	8.53	8.55	8.37
OAT	9.500	5/98	104.7250	+0.125	8.73	8.77	8.60
CANADA*	10.250	12/98	101.0000	+0.250	10.09	10.09	9.76
NETHERLANDS	8.7500	10/98	102.0800	+0.030	8.53	8.48	8.34
AUSTRALIA	12.500	1/98	100.1974	+0.054	12.45	12.27	11.90

London closing, *denotes New York morning session
Month ago yields on US Treasury apply to the 9.250 of '98 and the 9.125 of 2018
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Italian Treasury's 8-year bond disappoints

By Alan Friedman in Rome

A NEW fixed-rate L1,500bn ($1.17bn) Italian Treasury issue with an eight-year maturity, the longest seen in recent history, has turned out a flop.

Despite the authorities' assumption that, with inflation fairly stable, Italian institutions would wish to lock into longer-term yields, only L594bn of the issue - a little more than a third - was taken up, including L150bn of paper bought by the Bank of Italy.

In theory, the eight-year bond, with a put option after four years, should have gone well. Recent issues of three to five-year paper have been heavily oversubscribed and the market had expected interest rates to ease.

The eight-year issue, known as a CTO, offered a 10.25 per cent coupon and was priced to offer a 10.67 per cent net yield if the put option were exercised in the fourth year, or 10.07 per cent net after eight years.

But recent issues of three to five years, known as BTPs, have offered yields of 11.2 per cent.

The Treasury offer, in some ways an experiment, may have suffered from institutional wariness, given the recent rise in US and UK interest rates.

The Italian market was probably also sensitive to a slight hint of higher inflation in last month's figures, despite forecasts that inflation would remain below 5 per cent.

AIBD Trax system in Telekurs link

By Dominique Jackson

THE ASSOCIATION of International Bond Dealers has announced that Trax, its trade matching and reporting system, will be made available to members through Telekurs, the financial information and market data service.

From early 1989, connection to Trax will be offered either through Telekurs' Investdata terminals or via their computer-to-computer interface. Telekurs has 30,000 subscriber terminals in operation, mainly in Switzerland.

Bank of Korea fights for autonomy

By Maggie Ford in Seoul

TEAMS OF officials from Western central banks are being asked for advice by the Bank of Korea, their South Korean counterpart, which is fighting for its independence from central government.

Officials from the Bank of England, the West German Bundesbank and the Bank of France have received South Korean delegations or paid visits to Seoul to advise on the functions of a central bank and the way relationships with governments work in the West.

The Bank of Korea, which for years has been controlled firmly by the Ministry of Finance, has mounted a strong campaign for autonomy. Its headquarters is draped with banners calling for economic and financial democracy and its cause has been taken up by opposition politicians.

The issue has gained momentum in the past few weeks during televised parliamentary investigations into the regime of Mr Chun Doo Hwan, the former president.

The hearings revealed a host of details about the way political funds had been extracted from businesses in return for favours, with companies being made bankrupt or reorganised for political reasons.

The Bank of Korea believes it needs independence in order to manage the economy competently. It points to the extreme difficulty it experienced earlier this year in controlling the money supply and thus the inflation rate.

Observers believe that political payments made during last year's presidential election caused the money supply to overshoot its target of an increase of 18 per cent. It recorded a 22.5 per cent rise in December. The rate of inflation, which had remained steady at about 3 per cent for several years, reached a year-on-year rate of 8.4 per cent last March, but has now fallen.

The central bank is also concerned that its ability to supervise the commercial banks is compromised by the awarding of so-called "policy loans," which are directed by the Government to be given to certain companies in specific industrial sectors.

The bank says that it is impossible to scrutinise a company's financial structure and worth as a creditor under this system.

A government plan to liberalise interest rates will not be workable unless the relationship between the private sector and the Ministry of Finance is changed, it adds.

Foreign central banks have also had contacts with officials from the Monetary Board, a body set up by the Ministry of Finance to liaise with the Bank of Korea.

Chairmanship of this body, composed mainly of academics and other official economists, should be held by the governor of the Bank of Korea, not the vice minister of finance, critics argue.

The bank's struggle for independence is also linked with the issue of South Korea's financial liberalisation. Although it is unclear how the bank's attitude to deregulation would differ from that of the ministry, the bank could expect an increase in its role if capital markets were expanded.

Public and government concern about liberalisation focuses on two main issues - the possibility that large business groups could expand their interests to cover an even larger sector of the economy than they have now, and that foreigners, especially Japanese, could gain control of key sectors of industry or banking.

Supporters of the bank's campaign say an independent central bank with appropriate powers can act as a necessary check on such activities.

SEOUL COMMITTEE BACKS OPEN SECURITIES MARKET

AN ADVISORY committee has recommended that South Korea open its securities market to direct foreign investment by 1992, AP-DJ reports from Seoul.

Finance Ministry officials said the Finance Industry Development Deliberation Committee made the recommendation on Tuesday, when the committee met to propose a set of measures to the ministry. The committee said an earlier opening was not advisable as the South Korean economy was not yet ready to compete against foreign capital.

The Government still bans direct foreign investment on the market - prompted by fears that foreign capital might dominate the South Korean capital market - although foreigners are allowed to make indirect investment through overseas Korea funds.

The Finance Ministry is due to announce in about a week's time a timetable for opening capital markets to foreigners.

Before the proposed opening, the committee suggested, the size of Korea fund-type investment units and the issue of beneficiary certificates for foreign investors should be expanded.

The committee also called for an increase in the issue of such overseas securities as convertible bonds, bonds with subscription warrants and depositary receipts.

The committee also recommended that foreign securities companies be allowed to establish more liaison offices in South Korea, and that foreigners' equity participation in domestic brokerage houses be expanded before 1992.

Export finance facility arranged for Zimbabwe

By Katharine Campbell

A NEW $45m revolving bankers acceptance export finance facility has been arranged and syndicated for Zimbabwe's Agricultural Marketing Authority.

The facility, similar to one arranged last year, carries a Government of Zimbabwe guarantee and a margin of ⅜ percentage point over the bankers' acceptance rate, as last year. Bankers Trust is arranging the loan, replacing the ANZ Banking Group, which put together the 1987 financing.

The facility was substantially oversubscribed, which Bankers Trust ascribed to a steadily improving market perception of Zimbabwe. This year's financing is denominated in dollars.

Export sales covered will include certain regulated agricultural products, such as maize, cotton, coffee and beef.

Elsewhere, Western Australian Treasury Corporation expanded to $750m a $200m Eurocommercial paper programme, adding an option to issue Euroyen. The current dealers, CSFB, which arranged the programme, and Citicorp, have been joined by Daiwa Europe, Merrill Lynch and Shearson Lehman Hutton. The programme, with prime A1+/P1 credit rating, will absorb and eventually replace the previous facility, arranged for the State Energy Commission.

Amro set to shed 50% holding in Dutch bank

By Laura Raun in Amsterdam

THE Amsterdam-Rotterdam Bank (Amro) expects to complete shortly the sale of its 50 per cent stake in Albert de Bary, a medium-sized Dutch bank, to Deutsche Bank, which holds the remaining stake.

Deutsche Bank has been negotiating for several months to take full control of De Bary as part of its expansion of international securities trading business.

The big German bank believes that such European financial centres as Amsterdam and Paris will grow in importance at London's expense in coming years and wants to be well placed to take advantage of the trend.

Dutch government bonds have taken on more significance in the wake of West Germany's withholding tax on its state bonds.

Amro refused to disclose any details of the deal in a terse statement issued yesterday. But the Netherlands' second largest bank is concentrating its attention these days on its strategic alliance with Générale Bank of Belgium.

De Bary is primarily engaged in international trade financing, although it is a member of the Amsterdam stock exchange and the European Options Exchange. It had a balance sheet total of Fl 3.5bn ($1.8bn) as of 30 September 1987, down slightly from the year before.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday November 30 1988: Index No. / Day's Change % / Est. Earnings Yield% (Max.) / Gross Div. Yield% (Act at 25%) / Est. P/E Ratio (Net) / xd adj. 1988 to date	Tue Nov 29 Index No.	Mon Nov 28 Index No.	Fri Nov 25 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (124)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (52)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (76)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (710)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE 100 SHARE INDEX ♦	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Wed Nov 30	Day's change %	Tue Nov 29	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.47	+0.08	118.37	-	10.20
2 5-15 years	134.52	+0.05	134.45	-	11.64
3 Over 15 years	146.69	+0.03	146.64	-	13.10
4 Irredeemables	169.97	-0.08	170.10	-	13.38
5 All stocks	132.15	+0.06	132.08	-	11.43
Index-Linked					
6 5 years	138.20	+0.27	129.84	-	1.81
7 Over 5 years	127.65	+0.52	127.00	-	2.96
8 All stocks	127.65	+0.49	127.02	-	2.85
9 Debentures & Loans	117.80	+0.17	117.60	-	11.14
10 Preference	86.85	-0.01	86.86	-	6.32

AVERAGE GROSS REDEMPTION YIELDS		Wed Nov 30	Tue Nov 29	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.39	10.40	8.45
2	15 years	9.52	9.52	9.21
3	25 years	9.04	9.01	9.11
4 Medium Coupons	5 years	10.79	10.80	9.05
5	15 years	9.75	9.75	9.42
6	25 years	9.27	9.26	9.34
7 High Coupons	5 years	10.93	10.95	9.13
8	15 years	9.88	9.88	9.56
9	25 years	9.31	9.31	9.36
10 Irredeemables		8.92	8.91	8.91
Index-Linked				
11 Inflation rate 5%	5 yrs.	3.48	3.59	2.55
12 Inflation rate 5%	Over 5 yrs.	3.70	3.73	3.82
13 Inflation rate 10%	5 yrs.	2.29	2.49	1.86
14 Inflation rate 10%	Over 5 yrs.	3.53	3.56	3.88
15 Debs & Loans	5 years	11.17	11.25	10.61
16	15 years	10.96	11.01	10.59
17	25 years	10.75	10.77	10.59
18 Preference		10.29	10.29	10.50

♦Opening index 1795.0; 10 am 1795.7; 11 am 1798.3; Noon 1799.3; 1 pm 1798.7; 2 pm 1798.5; 3 pm 1799.1; 4 pm 1795.2; 4.05 pm 1794.9. (1) 11.13am (b) 5.01pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	73	14	24
Corporations, Dominion and Foreign Bonds	5	8	38
Industrials	493	278	805
Financial and Properties	222	86	360
Oils	28	21	57
Plantations	2	0	11
Mines	22	58	110
Others	107	45	96
Totals	952	510	1,501

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	Mkt. Cap. £m	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covrd.	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	96p	93p	AMEC New 6½p (Net) Cm Cv Rd Pf 50p	93p	
100p	F.P.	-	100¾p	100p	Arlington Sec. 9½pc Cm. Rd. Pf. 2008	100p	
100.3p	F.P.	-	101p	94p	Blackwood Hodge 9pc Cm. Pf. £1	94p	
-	F.P.	-	104½	103⅞	British Sugar New 10¾pc Deb. 2013	103⅞	
§100p	F.P.	-	99½p	98½p	Church (C) Dev. 9.375pc Cm Rd Pf £1	98½p	-½
109.89	F.P.	-	103½p	99p	Colorol Grp 9pc Cm Rd Prf 2005 10p	99p	-½
100p	F.P.	-	108p	104p	Ests & Gen 6pc (Net) Cm Cv Rd Pf £1	104p	-1
-	F.P.	28/10	254p	228p	Grand Met. 5.75pc Cv. Uns. Ln. 1989	241p	+3
¶97.34	£30	31/1	32⅞	30	Land Securities 10pc 1st Mtg. Deb.	32⅛	
108p	F.P.	-	115p	109p	Lloyds Chem. 7.5p (Net) Cm Rd Pf 5p	110p	
108p	F.P.	-	98p	93p	Mecca Leisure Grp. 7.25p Cv Pf 20p	95p	+1
§100	F.P.	-	100	99⅝	N'wide Anglia 12⅛pc 4.12.89	99⅝	
§100p	F.P.	-	96p	92p	Parkfield Grp 9pc(Net)Rd Pf 10/13 £1	92p	-2
§100p	F.P.	-	107p	106p	♯Quarto Grp Inc. 8¼pc (Net) Cv Cm Pf	107p	
¶99.31	F.P.	20/1	99⅝	99	TSB Group 10⅝pc Ln. 2008	99⅛	
100p	F.P.	-	75p	65p	♯UTC Grp 4.38pc (Net) Rd Cv Pf 1998	70p	
100p	F.P.	-	104p	99p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	100p	+1
§100p	F.P.	-	121p	109p	♯Wyevale Garden Cntrs. 8.5pc Cm Pf	121p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
30	Nil	-	2pm	1½pm	*Amercoeur Energy	2pm	
155	Nil	-	30pm	11pm	Britannia Sec Group 10p	12pm	
55	Nil	-	12pm	10pm	Electronic Machine 5p	11pm	+1
90	Nil	-	8pm	3½pm	Goal Petroleum 5p	4½pm	-2
165	Nil	-	80pm	65pm	♯JSB Electrical 20p	70pm	+3
100	Nil	-	80pm	30pm	Pavilion Leisure 10p	30pm	
215	Nil	-	21pm	10pm	Quadrant Group 10p	13pm	
175	Nil	-	28pm	10pm	Ratners Group 10p	12pm	-1
Ir92	Nil	25/12	9pm	6pm	Ryan Hotels Ir.5p	7pm	+1
5	Nil	-	10½pm	1pm	♯SelecTV 1p	7pm	+⁷

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♯ Unlisted securities market. ♠ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Nov 21
- Last Dealings Dec 2
- Last Declarations Feb 23
- For settlement Mar 6

For rate indications see end of London Share Service

Calls in Unigate, Pentland, Taylor Woodrow, JFB, Blackwood Hodge, Tubular Exhib, Bestwood, NSM, Wimpey, Oliver Res, Regentcrest, Explaura, MB Group, Holmes Protection, Chloride, Wade Potteries.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*467)	460	24	42	55	14½	24	32
	500	8½	22	35	43	47	50
Brit. Airways (*156)	140	20	25	-	2½	5	-
	160	6½	12	17	9	12	15
Brit. & Comm. (*227)	220	15	26	29	6	10	11
	240	7	14	19	18	20	24
	260	2	7	12	35	36	40
B.P. (*246)	240	13	16½	22	5	12	14
	260	4	6½	12	15	23	24
Bass (*783)	750	40	65	90	13	18	22
	800	15	37	58	42	43	45
Cable & Wire (*371)	360	25	37	53	12	20	23
	390	9	20	33	30	35	42
Cons. Gold (*1198)	1150	105	155	190	40	70	85
	1200	75	125	165	60	85	110
	1250	50	105	-	95	125	-
Courtaulds (*257)	260	13	21	26	10	14	20
	280	5½	12	18	26	27	32
	300	3	7	12	45	45	47
Com. Union (*321)	300	30	37	44	3	9	13
	330	10	21	27	16	22	28
G.K.N. (*314)	300	23	33	40	5	12	16
	330	7	14	24	18	28	30
Grand Met. (*451)	420	41	47	62	3½	11	14
	454	18	26	-	16	25	-
I.C.I. (*978)	950	57	75	102	15	35	41
	1000	26	45	75	35	55	60
Jaguar (*264)	260	15½	22	32	8½	15	22
	280	5½	12½	24	19	27	32
Land Securities (*590)	550	53	73	87	4	8	14
	600	19	40	55	20	23	33
	650	5	17	30	62	62	65
Marks & Spencer (*150)	140	14¼	21	24	2	4	6½
	160	4	8	11	11½	13	16
	180	1	4	6	31	32	33
STC (*267)	240	35	40	-	3	5	-
	260	19	25	34	8	12	15
	280	11	14	23	19	21	25
Sainsbury (*202)	200	10	18	24	7	10	12
	220	3	8	15	19	21	24
Shell Trans. (*984)	950	58	78	98	12	32	35
	1000	28	47	67	35	57	60
	1050	12	25	46	70	88	90
Storehouse (*213)	200	25	35	40	11	18	23
	220	13¼	23	31	21	27	33
Trafalgar House (*314)	280	36	40	-	2	5	-
	300	17	24	32	9	13	17
	330	5	11	16	30	32	34
Utd. Biscuits (*287)	280	19	33	38	10	13	20
	300	9	21	28	19	24	29
Ultramar (*253)	240	-	-	46	-	-	25
	255	18	28	-	18	28	-
	260	-	-	38	-	-	35
Woolworth (*255)	240	22	32	38	4	8	11
	260	10	18	25	11	17	23
	280	5	11	15	28	31	35
Option		**Jan**	**Apr**	**Aug**	**Jan**	**Apr**	**Aug**
GEC (*173)	140	37	39	-	1	2	-
	160	19	22	28	3	5½	9
	180	7	11	16	11	15	18
Option		**Jan**	**Apr**	**Jun**	**Jan**	**Apr**	**Jun**
Rolls-Royce (*131)	120	14½	21	-	2	3½	-
	130	7	13	15	4½	6½	11
TSB (*109)	100	11	12	14	1	3	4
	110	4	5½	9	5	6	8
	120	1	3	5½	14	15	15
Option		**Feb**	**Apr**	**Jul**	**Feb**	**Apr**	**Jul**
Ladbroke (*433)	390	57	-	-	3½	-	-
	420	33	42	50	9	11½	16
	460	12	19	29	30	33	36
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit. Aero (*438)	390	64	69	82	5	9	12
	420	39	49	62	11	20	22
	460	18	26	40	31	42	45
BAA (*268)	260	20	29	37	5	8	9
	280	8½	17	25	14	17	18
BAT Inds (*437)	420	35	45	54	7½	15	18
	460	13	22½	32	28	36	40
Brit. Telecom (*255)	240	20	29	34	5½	7	12
	260	8	15	19	14	15	22
Cadbury Schweppes (*341)	300	53	-	-	4	-	-
	330	31	40	51	13	19	23
	360	15¼	25	36	28	36	42
Guinness (*329)	300	40	44	54	3	6	7
	330	17	24	34	12	17	18
	360	6	10	17	34	36	38
LASMO (*466)	420	68	83	-	13	22	-
	460	40	60	73	26	37	45
	500	23	40	53	50	60	67
P. & O. (*559)	500	77	88	-	3	6	-
	550	35	47	58	12	22	25
	600	14	22	32	45	52	55
Pilkington (*217)	200	23	29	33	4	7	9
	220	11	17	20	12	14	18

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Plessey (*209)	200	19	27	-	9	15	-
	220	10	17	21	18½	22	27
	240	5	10	13	35	36	40
Prudential (*148)	140	15	18	20	3	6	7
	160	3	7	10	14	15	17
	180	1	3	-	34	35	-
Racal (*263)	260	21	30	36	12	16	21
	280	11	20	26	26	28	33
R.T.Z. (*437)	420	38	55	62	12	22	24
	460	18	32	40	33	40	43
Option		**Feb**	**May**	**Sep**	**Feb**	**May**	**Sep**
Vaal Reefs (*$73)	70	8	10	13	6	8	10
	80	4	6	8	13	14	16
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Amstrad (*155)	140	20	-	-	4	-	-
	160	6	15	22	10	14	16
Barclays (*423)	420	-	28	35	-	17	18
	429	6	-	-	11	-	-
Blue Circle (*437)	420	22	42	50	3	12	18
	460	3	20	26	24	26	38
Dixons (*145)	140	9	16	23	3	8	12
	160	1½	8	11	17	19	22
Glaxo (*1063)	1050	38	90	120	18	40	50
	1100	15	63	93	47	63	71
Hawker Sidd. (*526)	500	30	57	65	5	13	18
	550	5	23	35	28	35	45
Hillsdown (*260)	260	6	18	22	6	11	12
	280	1½	8	13	22	22	24
Lonrho (*385)	360	36	58	71	7	26	34
	390	17	42	54	21	44	46
Midland Bk (*426)	390	40	52	58	1½	8	11
	420	11	28	37	5	20	22
	460	1½	8	18	37	47	48
Sears (*122)	120	7	15	18	3	8	10
	130	3¼	10	13	10½	13	15
Trusthouse Forte (*262)	240	24	32	42	1½	8	11
	260	9½	20	31	7	16½	21
Thorn EMI (*645)	600	53	67	85	4	11	15
	650	13	35	52	16	30	42
Wellcome (*435)	420	24	46	62	5½	15	19
	460	5	24	36	28	33	36
Option		**Dec**	**Apr**	**Jul**	**Dec**	**Apr**	**Jul**
Boots (*219)	200	20	31	40	1	5½	8½
	220	5½	19	27	7	13	17
Option		**Jan**	**Mar**	**Jun**	**Jan**	**Mar**	**Jun**
British Gas (*158)	140	19	22½	26½	¾	2¼	2¾
	160	3¼	7	11½	7	7¾	8¾
Option		**Jan**			**Jan**		
BHM (*354)	330	35	-	-	4½	-	-
	360	16	-	-	17	-	-
Option		**Dec**	**Mar**	**Jul**	**Dec**	**Mar**	**Jul**
Beecham (*452)	420	37	54	66	2	6½	13
	460	8	28	41	14	21	28
Unilever (*446)	420	29	49	59	3	8½	14
	460	6½	23	35	19	26	32
Option		**Dec**	**Mar**	**May**	**Dec**	**Mar**	**May**
BTR (*289)	280	13	26	28	3	7½	11
	300	3	13½	15½	13	16	21
Hanson (*156)	140	16	18½	21½	½	2½	3¼
	160	2	7	9½	10	11	12
Tesco (*135)	130	8	14	16	2	6	7
	140	2½	9	10	8	11	13
Option		**Jan**	**Mar**		**Jan**	**Mar**	
Enterprise Oil (*494)	500	38	55	-	32	42	-
	550	20	35	-	62	70	-
Scot. & Newcastle (*398)	390	25	35	-	7	16	-
	420	10	22	-	25	33	-
	460	2	12	-	64	66	-
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Conv. 9½% 2005 (*100)	98	-	2¼	-	[illegible]	[illegible]	-
	100	[illegible]	1¼	-	[illegible]	1½	-
	102	[illegible]	[illegible]	-	-	[illegible]	-
Tr. 12% 1995 (*105)	106	-	-	-	-	1½	-
	108	-	-	-	[illegible]	-	-
	110	-	[illegible]	-	[illegible]	4¼	-

Option		Calls Nov	Calls Dec	Calls Jan	Calls Feb	Puts Nov	Puts Dec	Puts Jan	Puts Feb
FT-SE Index (*1795)	1650	151	158	163	-	½	3	6	-
	1700	101	110	120	130	½	6	13	18
	1750	51½	70	80	92	½	13	23	30
	1800	1	30	45	58	½	27	40	47
	1850	½	9	24	32	49½	59	69	75
	1900	½	3	10	14	100	108	110	108
	1950	½	1½	4	6	150	158	158	158
	2000	½	-	-	-	200	-	-	-

November 30 Total Contracts 33,379 Calls 21,712 Puts 11,667
FT-SE Index Calls 8540 Puts 5873
*Underlying security price.

UK COMPANY NEWS

Siebe lifts dividend 25% as interim profits grow

By Vanessa Houlder

SIEBE, controls, engineering and safety equipment group, yesterday unveiled a 35 per cent rise in pre-tax profit to £67.8m for the six months to September 30, from £50.1m, on turnover up 18 per cent to £569.9m.

Shareholders receive a 25 per cent increase in their dividend, the interim being 3.375p (2.7p). Earnings rose 9 per cent to 21.7p (19.9p).

Following the announcement, the share price fell 5p to 376p.

Siebe also announced that it had won approval for its £15.7m acquisition of 76 per cent of Gestra, a West German controls company, from the German Federal Cartel Office.

Mr Barrie Stephens, chief executive, described the profits advance as "very positive" and predicted that satisfactory progress would be maintained. "We intend to continue our thrust to keep lean and skinny and mean," he said.

The figures were boosted by a contribution from Barber-Colman, the US controls company bought in October last year. It increased its profits from £1.1m to £7.2m, after the elimination of overheads and non-profitable products and its integration into Siebe's worldwide control operations.

Siebe cut its working capital by £21m in the first half of the year by reducing its inventory and receivables. Mr Stephens said the squeeze on working capital would continue and the drop would total £50m for the full year. Job losses aggregated 750 since the year end.

The decline in the dollar knocked £4m off profits on translation. Gearing was reduced from 44.8 per cent to 40.6 per cent. The order book increased to £285m from £250m at the year end.

Tax charge fell to 36.2 per cent from 38.9 per cent following lower overseas tax rates and tax losses in acquired companies.

The Gestra acquisition was in consonance with Siebe's strategy of concentrating on its four core businesses, said Mr Stephens. The company, which makes specialised valves and actuators for heat and energy control purposes, has gross assets of £40.5m. Siebe has commitments for about 53 per cent of the shares in issue.

See Lex

Barrie Stephens: plans to keep company "lean and mean"

Bowater in European packaging disposal

By Maggie Urry

BOWATER INDUSTRIES, building materials, packaging and tissue paper group, has agreed to sell its corrugated packaging businesses in Belgium and France to SCA of Sweden, the major paper company for £25m. The Belgian business, which has two plants, has over a fifth of the market.

Bowater decided to sell the businesses, which have annual sales of around £50m, because they were in the commodity end of the "brown box" market. The market for these is very competitive and it has proved difficult to pass on rises in paper costs to customers. Bowater's new management team has been taking a more critical look at its businesses with the aim of increasing margins across the business.

SCA has been looking for acquisitions which give it greater vertical integration, and has been expanding its activities within the European Community. Early this year SCA acquired Peaudouce, the leading French disposable nappy maker, and it has made packaging acquisitions, for instance in Italy.

Bowater's UK packaging activities have been the subject of substantial investment to increase the added value element of packaging, and thus raise margins. For example, it is a major supplier of "pre-printed" corrugated boxes which have far superior print quality and can be used to display goods attractively.

Mr David Jones, finance director of Bowater Print and Packaging, said it would have taken significant investment to bring the Belgian and French businesses up to the level of the UK activities. He said they would fit better in a paper company.

Building up a market presence

Philip Coggan on the advantages of the Norcros and Meyer swap

RARELY can a corporate deal have so suited the long-term strategies of its protagonists as the swap of businesses between Norcros and Meyer International.

By acquiring UBM Meyer adds the extra tranche of merchanting branches which eluded it in October when Travis & Arnold opted for a rival offer from Sandell Perkins.

With the sale of UBM and the addition of Crosby, Norcros is able further to concentrate its activities as part of the restructuring in the wake of Williams' Holdings unsuccessful bid in 1987.

The addition of UBM to Meyer's Jewson chain increases the growing concentration in the once fragmented builders' merchanting sector. Size brings economies of scale in the form of greater purchasing power; it also brings brand recognition, a tendency fostered by Jewson's TV advertising campaign. Harrison & Crosfield, the chemicals & plantations group, recently rechristened its 137 outlets under the Harcros brand name.

Although many builders' merchants dismiss the threat of the large DIY retailers, the so-called "sheds," Mr Michael Doherty, chief executive of Norcros, says they are a real challenge. "The DIY groups offer credit terms and delivery services which are difficult to match," he says.

The usual argument against the sheds is that the quality of customer service, in the form of expert advice, is much lower than the average merchant. But Mr Doherty argues that many builders do not need expert advice to buy low-budget items such as screws.

Mr Doherty believes that Norcros would have needed to have spent an awful lot of money to consolidate its position in the builders' merchanting industry. For a group the size of Meyer, branding obviously helps to see off the competition from the sheds.

It is hard to say, in turnover terms, which merchant was previously the biggest since several of the major chains are part of large industrial groups, which do not break down their sales.

But it is clear that in branch numbers, Meyer was and is now easily the biggest group. After it has rationalised the UBM chain, it will have between 230 and 250 outlets, compared with the 164 branches of the combined Travis Perkins. Mr Oscar deVille, Meyer chairman, believes it will have about 13.5 per cent of the market.

However, Meyer's size in the builders' merchanting sector was restricting the potential of its Crosby building products manufacturing businesses. Many of Crosby's customers were Meyer's competitors.

The one remaining question for Meyer is what to do with its stake in Travis Perkins. Following the defeat of its offer for Travis & Arnold, Meyer was left with a 20 per cent stake in the combined group. It said yesterday that it continued to regard the stake as a long-term investment, but now it has bought UBM a renewed bid for Travis Perkins would seem likely to provoke monopolies questions.

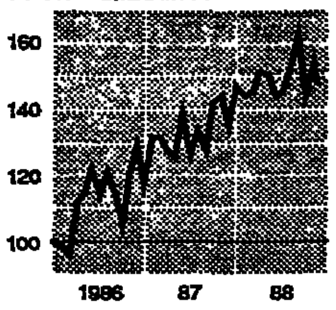
Norcros by taking over the Crosby businesses, will substantially increase its range of products.

The merger will create a division with annualised turnover of £280m. It is hard to rate Norcros's position in the building materials sector since so many companies concentrate on "heavy" products such as cement and bricks, but in its own markets, Norcros says it is one of the biggest players.

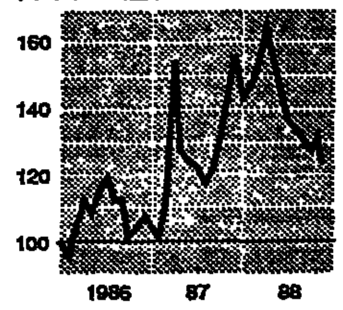
The disposal of UBM is the end of an unhappy chapter in Norcros's history. Acquired in 1985 after a bid battle, UBM has rarely fitted easily into the group; Williams Holdings in the course of its offer argued that UBM needed to be cautious about its expansion strategy.

Once UBM is sold, Norcros will effectively be reduced to three divisions - building products, printing and packaging, and property. Mr Doherty, who took over as chief executive earlier this year after his predecessor Mr Terry Simpason left after a boardroom row, thinks that Norcros can use those three divisions as the base for expansion.

Meyer
Share price relative to the FT–A All–Share index



Norcros
Share price relative to the FT–A All–Share index



UK builders' merchant branches	
Meyer International (Jewson)	173
Travis Perkins	164
Harrison & Crosfield (Harcros)	137
BTR (Grahams)	130
Bowater (Crossley and Ferguson)	104
Norcros (UBM)	83

Water stake changes hands

By Andrew Hill

THE WATER Companies Association Pension Fund has sold a 5 per cent stake in Rickmansworth Water Company to Compagnie Generale des Eaux, France's largest water supplier.

The sale enabled the French group to yesterday declare a surprise 16.1 per cent stake in Rickmansworth, to the annoyance of SAUR Water Services, a rival supplier which has a 27.7 per cent holding in the company.

Although the Water Companies Association, which represents the UK's 28 quoted statutory water companies, has broadly welcomed recent French investments in the sector, this is the first time it has appeared to favour one French water supplier over another.

Rickmansworth, which handles the water supply for Heathrow Airport, said it welcomed the Generale des Eaux investment, made through its General Utilities subsidiary, and that it did not believe it was impossible to co-operate with two major investors.

But SAUR, a subsidiary of Bouygues, the French construction group said it was "disappointed and rather astonished" at the move. SAUR selected Rickmansworth in 1987 for its first investment in the statutory water company sector, through a joint venture with Trafalgar House, which has since pulled out.

In October, SAUR sold stakes in Lee Valley and North Surrey to Generale des Eaux, precipitating bids for the two companies, but SAUR said yesterday it had no intention of selling out to its rival on this occasion.

Yesterday's announcement further complicates a web of agreements and investments in water companies bordering north west London.

Following a recent management agreement, Rickmansworth shares a managing director with neighbouring Colne Valley Water Company, in which SAUR has a 25 per cent stake and Generale des Eaux owns 28 per cent. Generale des Eaux controls a third company in the area, Lee Valley, following an agreed £41m bid.

● Generale des Eaux has now received acceptances of its agreed £41m bid for Lee Valley Water Company representing 78.9 per cent of the issued capital.

The French group also announced that 69.2 per cent of the voting stock in North Surrey Water Company had been committed to its agreed £15.6m offer. Both bids were declared unconditional earlier this month and will remain open until further notice.

Separately, the Department of Trade and Industry announced yesterday that Generale des Eaux's bid for Lee Valley would not be referred to the Monopolies and Mergers Commission. The DTI has yet to rule on the North Surrey bid.

Shanks & McEwan rises 36% to £6.5m

By Fiona Thompson

SHANKS & MCEWAN Group, waste disposal specialist, yesterday reported a 36 per cent increase in pre-tax profits for the six months to September 24, from £4.78m to £6.51m. Turnover advanced by 41 per cent to £40.30m (£28.57m) and earnings per share rose to 21.9p (18.7p).

An unchanged interim dividend of 7p was declared.

The Glasgow-based group is by far the largest waste disposal concern in the UK, with more landfill capacity than all its competitors put together. This came about in the mid-1980s when it acquired from Hanson the landfill access to all of London Brick's sites and the rights to future sites.

Shanks & McEwan's sites are in an arc around north London, in the Midlands, in central Scotland and north Wales. The group shifts more than 4m tonnes of waste a year, giving it 6.2 per cent of the UK market. In addition, methane gas produced naturally in the landfill sites is piped off for sale to London Brick to fire its kilns.

The landfill gas business is in its early stages, but according to Mr Peter Runciman, chairman, over the next three years it will become a strong contributor to profits.

Mr Runciman said the results reflected excellent progress, especially as a number of acquisitions had been made during the period, including two landfill sites, five transfer stations (where rubbish is taken to be compacted before removal to landfill sites), and three waste collection and landfill businesses in Scotland.

The group was continually seeking acquisitions. More than 20 were being considered.

Tax took £1.95m (£1.42m). An extraordinary debit of £141,000 related to management reorganisation and acquisition costs.

● COMMENT

The Hanson agreement was the deal of a lifetime for Shanks & McEwan, no one can ever catch it up now. It has 60 years worth of holes in the ground at a time when fewer quarries are being started, that is : fewer future holes, and when more and more waste is being created. Analysts are forecasting £13.5m for the full year, putting the shares, 8p down at 992p last night, on a prospective p/e of 22. The rating is full, but Shanks & McEwan's assets are worth more than the share price and the company is still at the beginning of a very steep rise in earnings. It is not just the number, but the location of its sites. By 1992 it could have 70 per cent of all landfill sites in the range of north London. The company is well managed, it steers clear of contentious foreign waste and worrying toxic waste, and, as Mrs Thatcher becomes greener, tighter legislation will eliminate some of the cowboys, moving even more business its way.

BTS acceptances

Holders of only 0.11 per cent of shares in BTS, tyres and batteries group, accepted a cash offer by Alan Patricof Associates of 65p per share before it closed yesterday.

Smurfit's £57m Spanish buy

By Kieran Cooke in Dublin

JEFFERSON SMURFIT, the Dublin-based group which claims to be one of the largest paper packaging businesses in the world, has announced an I£68m (£56.74m) cash purchase of the Spanish Industrial Cartonera company.

Industrial Cartonera is a private Spanish company producing more than 100,000 metric tonnes of recycled paper each year from a plant in southern Spain and 40,000 tons of corrugated cases from plants in Madrid, Barcelona and Valencia. Its pre-tax profits last year were I£8m.

Smurfit said the purchase was in line with the group's aim of developing its place in the European paper and packaging industry. Smurfit has recently made big moves into the Spanish market and already has a fully-owned Spanish subsidiary, CartoEspana.

Smurfit, one of the Irish Republic's largest companies and with major interests in the US, made pre-tax profits of I£109.2m in the six months to the end of July.

COMPANY NEWS IN BRIEF

BAKER HARRIS Saunders: EGM approved proposed acquisition of Richard Sykes & Partners.

BET has acquired Hire-Wise, a privately-owned UK plant hire company, for £126,650 cash and £317,350 in shares. Hire-Wise's main business is involved in selling, hiring, repairing and maintaining plant and equipment.

BRITISH BLOODSTOCK Agency has reached agreement for the acquisition of Pegasus, a leading European bloodstock insurance agency, with effect from January 3. Consideration will be satisfied via £225,000 cash, £205,000 in 10 per cent loan notes, repayable over two years, and the issue of 329,268 new ordinaries over a two-year period.

FLOYD ENERGY has completed the acquisition of Mech-Tool Eng for a maximum of £2m. Initial consideration is £500,000 cash, with a further £500,000 in cash after one year. A third payment, up to £1m, is related to profits to December 31 1991. Mech-Tool incurred a £20,000 pre-tax loss in the year to April 30 1988 on turnover of £31.27m.

Oliver increases bid pressure

Oliver Resources, Dublin-based oil and gas group, stepped up the pressure in its £8.35m bid for North West Exploration with a circular criticising the target company's decision to dispose of its Glangevin gypsum deposit in County Cavan at a "giveaway price" - annual payment of £500,000 over 20 years.

Oliver said the "ill-conceived deal" was worth only £5m on a net present value basis, not the £15.7m in cumulative income which Belfast-based North West said it would receive from Sean Quinn (Quarries), a Northern Irish company.

The bidder also said it had the financial strength and management experience to develop the mineral assets of the two companies, both of which are quoted under the Stock Exchange's rule 535 (3).

On the basis of Oliver's share price of 18¼p, its all-paper seven-for-two offer values North West at 64¾p, against the market quotation of 48p. As of last Friday, Oliver owned or received acceptances for 48.32 per cent of North West shares.

Barlo Group growth

Barlo Group, Irish manufacturer of central heating equipment, raised pre-tax profits from I£527,000 to I£704,000 (£587,600) on turnover of £13.1m (£12.21m) for half year to September 30 1988.

Earnings per share were 1.81p (1.56p) and interim dividend 1.25p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barlo Group	int	1.25♣	-	-	-	-
Bassett Foods	int	2.2	-	2.07	-	7.81
Chemoxy Int	int	2.6	-	1.85	-	5.75
Hardanger Props	fin	15	-	9.855	22.5	14.595
HPC §	int	1	Jan 16	-	-	-
Irish Wire	int	1.5♣	Jan 4	nil	-	nil
Kwik Save	fin	5.4	Jan 20	4.7	7.8	6.8
Mountview Ests	int	2‡	-	1	-	8.5
Porter Chadburn	int	0.6†‡	April 7	0.25	-	1.05
Rolfe & Nolan §	int	2.1	Jan 26	1.5	-	4
Rowlinson Secs	int	0.24	-	0.22	-	0.9
Shanks & McEwan	int	7	Dec 30	7	-	15.5
Siebe	int	3.375†	Mar 31	2.7	-	8.78
TSB Ch Islands §	fin	2.68	-	2.32	4.88	4.32
Vosper/Thornycft	int	2.75	Jan 19	-	-	0.625
Wyndham Group	int	1.5†	April	1	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡To reduce disparity. ♣Irish currency.

Hardanger Property up to £7m

By William Cochrane

HARDANGER PROPERTIES, the Kidderminster, Worcestershire-based specialist in prime retail property development, maintained its top performance rating yesterday with a rise of a third in pre-tax profits, to £7.04m for the year to September 30.

Net assets rose from £21m to £31.7m, or 425p a share. Mr Derek Coombs, chairman, who founded the company in 1971 with Mr Nicholas Siviter, managing director, said yesterday that the board was projecting an increase in net assets to £47m next year, through £75m in 1989-90, to £100m three years from now.

At the end of the run, this would produce net assets per share of over £13. Hardanger was quoted in the market at about 700p yesterday, a large premium on historic asset value, whereas other companies in the developer/trader class have fallen back to a discount this year as interest rates have moved against them and their perceived exposure to floating rate debt.

Mr Michael Cunnane of Panmure Gordon, brokers to the company, commented last night that Hardanger's projections for 1988-91 were merely extending its past performance: net assets per share growth of 50 per cent per annum compound over the past six years.

Mr Coombs and Mr Siviter have effective control of the company with 40 per cent of the shares registered at last count. Mr Coombs said there was no question of the company being open to a bid, or of either of the founders selling his shares. Neither, he said, did Hardanger intend to use its premium market rating to bid for any other company.

Hardanger intended to "continue aggressively" in prime retail development, Mr Coombs said. "The notable strengthening of the balance sheet in recent years is a continuing priority and a significantly larger proportion of our developments will be retained." Work had started on site at the company's Mulberry Tree Centre, 20-unit retail development in Stratford-upon-Avon.

Profits are not expected to rise at the same rate as net assets over the period of the forecast, but they are expected to improve consistently enough to support a policy of increasing annual dividends. The final dividend for 1987-88 is raised to 15p, making a total of 22.5p, up 50 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglesey Mining, Anglo American Corp of South Africa, Baker Harris Saunders, Castings, Ferranti Int, Finlan, Huntingdon Int, Mansfield Brewery, Monks & Crane, Ritz Design, Utd Inds.

Finals- Ashley, Buffelsfontein Gold Mining, Carroll (PJ), Dundee & London Inv Trust, Grootvlei Pty Mines, MEPC, Royal Bank of Scotland, St Helena Gold Mines, Sidlaw, Stilfontein Gold Mining, West Rand Cons.

FUTURE DATES

Interims-

Assoc Brit Engineering	Dec. 9
Bimec Industries	Dec. 19
Bogod-Pelepah	Dec. 6
Boscombe Property	Dec. 9
Creighton Labs	Dec. 13
Palmerston	Dec. 12
SKB	Dec. 12
TGI	Dec. 6
Finals-	
Associated Newspapers	Jan. 11
Mecca Leisure	Dec. 6
National Westminster Bank	Feb. 21

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UK COMPANY NEWS

Minehunter contract with Saudi Arabia will provide up to five years' work

Vosper Thornycroft falls but prospects good

By Ray Bashford

VOSPER THORNYCROFT, whose prospects as a warship builder improved sharply earlier this month when it signed a £300m contract with Saudi Arabia, incurred a decline in pre-tax profits during the six months to October 2.

The Southampton-based group returned a pre-tax profit of £4.3m compared with £7.9m in the six months to September 27 1987, which included an exceptional item of £2.7m.

Vosper, formerly part of British Shipbuilders before floating on the market in March, made the £2.7m provision last year to cover expected difficulties which were negated by a large Royal Navy contract.

County NatWest, a participant in the placement of just under 26 per cent of the equity, yesterday sold about one-third of its holding.

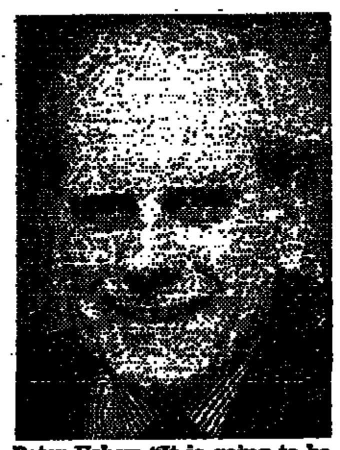
The venture capital arm of County NatWest and Wren Investments each took up 14.9 per cent stakes in the the Vosper float. The 5 per cent stake sold yesterday went through the market at 192p, compared with the closing price of 197p, down 4p. The stake was acquired at 160p a share and was sold to 20 institutional clients of Panmure Gordon, the London stockbroker.

Mr Peter Usher, managing director, said he was confident about the outlook for the remainder of the of the year and explained the decline in past six months as being due to the lumpy nature of returns in the industry.

"Things are going entirely to plan and to budget and it is going to be a good year for us," he said.

The company is paying a maiden interim dividend of 2.75p a share and the pre-tax profit represents earnings per share of 9.2p, against 12p, adjusted for the exceptional item.

The Saudi contract boosted the company's order book from £200m to £500m and will provide between four and five



Peter Usher: "It is going to be a good year for us"

years' work.

The contract with Saudi Arabia is for six specialised Sandown class minehunting vessels which was signed as part of a $10bn arms agreement between Britain and Saudi Arabia earlier this year.

The remainder of the order book is filled with the Royal Navy contract for the construction of four Sandown class vessels.

Mr Usher said that one-third of pre-tax profits and turnover was derived from non-shipbuilding activities, including computerised land and sea naval equipment.

The company is negotiating the acquisition of bolt-on companies to strengthen this end of the group activities, following the purchase of a controlling interest in JB Microsystems.

● **COMMENT**

These results were in line with expectations and give rise to little excitement. However, after consideration of Vosper's prospects enthusiasm for the future could be justified. The Saudi contract provides the company with a solid order book until 1995 with the full force of the benefits likely to come to account in 1993-94. During the intervening years, there should be a progressive strengthening in returns from this contract as well as the contract with a the Royal Navy. The company is increasing capital expenditure by £3.5m and is taking on between 200-300 people to accommodate the contracts. This should throw off course the company's intention of boosting non-shipbuilding activities to the point where they represent 50 per cent of turnover and pre-tax profits. Non-core acquisitions are under negotiation with the purchase of a publicly listed group a possibility, despite external reservations on the grounds that Vosper should continue doing what it does best: build warships. Forecasts on pre-tax profits for the full year average out at £9.7m, placing the shares on a prospective p/e of 9.9 – reasonable given that the results will not reflect the benefits of the Saudi deal.

Next sells Eurocamp holiday side to managers for £32m

By Maggie Urry

NEXT, the high street retailing group, is selling Eurocamp Travel, its holiday business, to a management buy-out for a total of £31.8m. Eurocamp was acquired in June last year as part of the purchase of Combined English Stores.

The company has made a number of sales recently following a decision to concentrate on its core businesses and to raise cash to reduce its level of debt.

It has sold its Salisburys and Zales chains to Ratners for a total of £150.8m, and its Allens chemist chain to Lloyds Chemists for £29m.

In total about £220m has been raised compared to a purchase price for CES of £330m. Gearing is now down to around 40 per cent.

The management of Eurocamp approached Next about a buy-out in September and received the go-ahead. In October an outside buyer appeared and Next asked the management to match the other buyer's price and timing. As part of the purchase priceNext is taking a £5m loan note.

Barclays Development Capital has arranged the buy-out, underwriting £15m of capital. A further £15m of mezzanine finance has been underwritten by Barclays de Zoete Wedd, the securities house, and 3i, the small business finance group. The price consists of £25.3m for the business and £6.5m as the repayment of inter-company debt.

Eurocamp, which also trades under the names Sunsites and Carefree, provides camping and caravan holidays, mainly in France, for self-drive holiday makers.

This summer it sold holidays to 160,000 people and sales were £30m. This was a rise on the previous summer. In the year ended January 1988 the holiday division of Next made an operating profit of £2.8m and had net assets of £3.9m.

Next is also selling Timsway, a villa holiday company, to its founder for a nominal amount.

Bassett advances 14% to £2.4m and sees more growth

By Lisa Wood

BASSETT FOODS, the Liquorice Allsorts manufacturer which recently bought Jamesons Chocolates, yesterday reported a pre-tax profit of £2.4m for the 28 weeks to October 14, a 14 per cent increase on the corresponding period last year.

The results were in line with market forecasts and the group's share price closed unchanged at 286p.

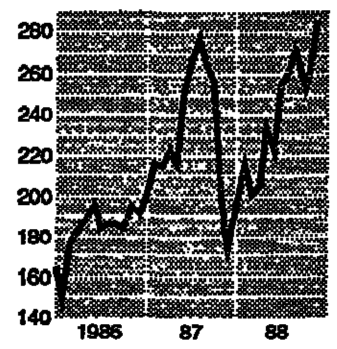
Earnings per share were 13.04p (11.76p) and the interim dividend was lifted 6 per cent to 2.2p (2.07p).

Mr "Bev" Stokes, chairman and chief executive of Bassett, said the group had continued to trade solidly and the satisfactory performance of each subsidiary should continue into the second half of the year.

Group sales, at £49.3m compared with £44.5m last year, included £1.6m from Frisia, a Dutch manufacturer of marshmallows acquired this year. Bassett's trading profits were £3.03m (£2.52m).

Anglo Bellamy Wilkinson, which produces much of Bassett's children's sweets, contributed £398,000 to trading profits, slightly down on last year. There were problems with Middle East sales of sugar confectionery sourced from ABW. There had also been disruption at the plant where a new factory is being built to manufacture Nerds, already distributed by Bassett, under license from Sunmark of the US. However Mr Stokes said that the plant had done well.

He said that Geo. Bassett had performed well with UK sales of Liquorice Allsorts increasing by 19 per cent and Ernest Jackson, which makes medicated sweets, was improving, with the benefits of site



improvements and capital investment already evident.

While sales volumes through Bassett Foods International – which handles exports – were slightly down, Mr Stokes said the group was investing in the European market.

Faam, the Dutch subsidiary, continued to perform well.

● **COMMENT**

Bassett, with around 11 per cent of the UK sugar confectionery market, is emerging as a tidy business with a much improvedprofit performance. Subsidiaries are responding to demands for them to be more profit-conscious while the strategy of relaunching popular key brands such as Liquorice Allsorts is keeping volumes moving in a static marketplace. New brands such as Nerds, which Bassett will start manufacturing in March, should be winners. Exports are still more problematic but operations are coming around. Analysts expect some dilution from Jamesons and are forecasting pre-tax profits of £4.7m for the full year, giving a prospective p/e of 11.7.

Irish Wire bids for Questel

By David Waller

IRISH WIRE Products, acquisitive household products group, yesterday announced its largest deal since taking on a new lease of life 16 months ago under the impetus of Mr Dennis Jones, finance director of Hazelwood Foods.

It has launched an agreed £11.6m bid for Questel, telecommunications equipment supplier. Victory is secure as shareholders with 58 per cent of the equity have committed themselves to accepting the offer.

At the same time, the Limerick-based company reported pre-tax profits up from I£563,000 to I£1.55m (£1.29m) in the six months to September 30, and earnings per share up from 5.6p to 8.4p. Sales jumped from £2.9m to £13.01m.

An interim of 1.5p is declared – the first payout since 1979 – and the company has forecast 4p for the full year.

Irish Wire said that the rationale for the acquisition was to take the company into telecommunications, the growth of which could be stimulated by cash generated from the company's existing interests in household and industrial products and printing and packaging.

In 1987, Questel made pre-tax profits of £1.42m on turnover of £4.6m. The terms of the offer are one new Irish Wire share for each Questel share, involving a 32 per cent increase in the Irish company's equity.

Irish Wire is also proposing to buy Reprocentre Group, a supplier of printing materials and equipment, for an initial payment of £7.05m.

Simon expands with £5m purchase in Australia

By Clay Harris

SIMON ENGINEERING, diversified process plant contractor, is to pay A$9.75m (£4.63m) in cash for the access business and related property of Abbey Equipment of Australia.

The acquisition will increase Simon's global sales of access equipment to about £120m, more than one-fifth of the group total. Simon, which already manufactures access equipment in the UK, Ireland and the US, plans to use Australia as a base for expansion into south-east Asia.

Abbey is the leading Australian maker of truck-mounted hydraulic access platforms. Many of its products feature insulated booms, which allow work to be undertaken on live power lines.

Wassall makes agreed bid for Hille

By Philip Coggan

WASSALL, a mini-conglomerate being built up by former Hanson executives, yesterday made its second acquisition in the office furniture sector with an agreed £7.9m offer for Hille Ergonom.

The purchase of Hille, which imports and manufactures desks and chairs, follows the earlier acquisition of Evertaut, an office seating group.

The terms of the offer are one Wassall share for every three in Hille. Based on Wassall's closing price of 210p, that values each Hille share at 70p. There is a cash alternative of 72p per share, and a loan note alternative, up to a maximum of £4.25m, at 75p per share.

Hille's pre-tax profits fell from £962,000 in the year to March 31, 1986 to £704,000 the following year. Last year, pre-tax profits were £705,000.

TR hires Phoenix Secs as adviser

By Nikki Tait

TOUCHE REMNANT, privately-owned fund management group, has confirmed that it had asked Phoenix Securities, the Morgan Grenfell subsidiary, to advise on its shareholding structure.

In the past, Touche has been owned solely by the investment trusts which it manages. A number of these, however, have been victims of corporate activity recently and earlier this summer TR brought in Liberty Mutual, a US insurance company, as the first external shareholder with 15 per cent.

Since then, TR Industrial and General – the largest TR-managed trust and, historically, the biggest single shareholder in Touche Remnant itself – has been subject to a £560m successful bid from the British Coal Pension Funds.

Vaux buys nursing homes

Vaux Group has acquired Summerfields Care, which owns four nursing homes and has sites for a further three, all in the Liverpool area, for £8.3m.

The consideration is being funded by the issue of new Vaux ordinary shares. The vendors are retaining shares worth £2.5m and the rest are being placed. The proceeds of the placing will be used to repay debts of Summerfields, finance the construction of the three nursing homes and £400,000 is being paid to the vendors.

UK COMPANY NEWS

Second half volume growth helps Kwik Save rise 18% to £55.18m

By Andrew Hill

KWIK SAVE Group, the food retailer which claims to sell branded products at a 5 to 10 per cent discount to the cheapest superstores, increased pre-tax profits by 18 per cent to £55.18m in the year to August 27, compared with £46.61m last time.

Turnover rose 13 per cent to £974.09m (£863.03m), with existing stores sales growing by 7.4 per cent, and new stores adding 3.1 per cent. Earnings per share rose to 23.31p (19.95p) and a final dividend of 5.4p makes 7.8p (6.8p) for the year.

Kwik Save is 25 per cent-owned by Dairy Farm International, Hong Kong-based food retailing, manufacturing and wholesaling group, which will have the option to make a general offer for the UK company next April.

During the year, Kwik Save increased its selling area by 8 per cent, compared with a target of 12 per cent, to a total of just under 3.25m sq ft. The group now operates 567 supermarkets with an average sales area of 6,000 sq ft.

Capital expenditure declined from £33.6m to £25.9m in the period, with spending on property coming down from £20.1m to £13.7m, because of increased demand for building work and consequent delays in starting new projects.

The group said it eventually aimed to open 100 new stores within the M25 ring, where it currently operates 18 stores and is under-represented compared with the major chains.

Spending on plant and equipment declined to £12.2m (£13.5m), although this included £1m for scanning equipment, which reads bar codes automatically.

Mr Ian Howe, chairman, said scanning would allow the company greater flexibility in the choice of products which could be offered in individual stores, although he added that Kwik Save did not intend to move away from its traditional policy of stocking a limited assortment of products.

Ian Howe — retaining traditional retailing policy.

Rental income during the year increased to £9m (£7.6m) but Mr Howe said this was more than offset by the impact of rent increases. Kwik Save is continuing to buy freehold properties in an attempt to reduce the adverse effects of rising rents.

● COMMENT

Last year's industrial dispute disrupted Kwik Save's interim figures, and the full-year results were slightly flattered by comparison with the 1986-87 results. That said, volume growth in the second half was extremely creditable, especially when set against other retailers' difficulties, and has apparently continued in the first half of 1988-89. The policy of stocking small High Street stores with a limited range of the most popular products continues to pay off. However, new investors will be more likely to look at Dairy Farm's likely intentions before buying Kwik Save shares, which rose 3p to 360p yesterday. If one believes a bid at the original tender price of 450p a share will be tabled next April then they are clearly good value. Otherwise, based on forecasts of about £66m for 1988-89, the shares look somewhat expensive on a prospective multiple of about 13.

Porter Chadburn trebles to £1.73m midterm

By Fiona Thompson

PORTER CHADBURN, consumer products and distribution company, yesterday reported almost trebled half year profits.

The pre-tax advance from £581,000 to £1.73m for the six months to September 30 1988 was made on turnover up 59 per cent at £27.71m (£17.4m).

Earnings per share rose from 1.33p to 3.5p and an interim dividend of 0.6p (0.25p) is declared.

Since chairman and chief executive Mr Ray Dinkin took over 18 months ago the group has established three divisions — specialist distribution, manufacturing and packaging, and consumer products.

There are two companies in the specialist distribution division, LDH, distributing furnishing fabrics, and CPT, distributing finishing equipment for the garment and textile industries. On the consumer products side Tasco distributes sports equipment and leisure products, and Hi-Line distributes fishing tackle.

The two companies in the manufacturing and packaging division are PC Plastics, maker of bags and flame retardant covers, and PC Engineering, specialising in vending machines, power transmission and lifting equipment, brewery equipment, and water treatment products.

"Organic growth in our existing businesses was excellent," said Mr Dinkin, and the LDH and Hi-Line businesses acquired earlier this year performed well. Because of the timing of some of the purchases, full contributions would only be seen in the second half, so these first half figures "are not likely to be indicative of the full year performance," he said.

The engineering and plastics companies, both of which had problems last year, were recovering strongly, he said.

The group will continue to look for acquisitions, "but we won't be paying silly prices. Our organic growth is so strong that we've become more stringent about acquisitions."

Institutional shareholders back Aurora board over ANI offer

By Ray Bashford

THE TWO biggest institutional shareholders in Aurora, Sheffield-based engineering company, have given the board their backing as shots continue to fly in the takeover fight with Australian National Industries.

M&G and Investors in Industry (3i), which together hold 22.9 per cent of the capital, have expressed their support as the board has again rejected the offer from Australia's biggest engineering group.

ANI has 41 per cent of Aurora, having earlier this month acquired a 19 per cent stake from Electra, formerly the largest institutional holder.

The offer, 148.5p per share, valued the company at £138.1m and was rejected principally because Aurora claimed it failed to recognise the company's present and future worth.

The Australian company, in reply, said that it was offering a fair price and had taken into consideration a forecast of a 40 per cent improvement in annual pre-tax profits before making the offer.

ANI has been barred from buying further shares until next Tuesday by Takeover Panel rules.

However, there is the possibility that ANI will enter the market if the shares are available at below the offer price to lift the holding above 50 per cent.

Aurora shares have traded below the offer price since the bid was announced and yesterday closed 1p up at 146p.

M&G and 3i are unlikely to remain as minority shareholders if ANI moves into the market to boost its holding above 50 per cent, leaving the way open for the company to mop up outstanding holdings.

In rejecting the offer Sir John Hill, Aurora chairman said: "ANI are trying to persuade shareholders that Aurora's potential is not there; if that is the case, why is ANI so anxious to acquire the company?"

TMD Advertising turns in 38% rise to £1.22m

TMD Advertising Holdings lifted turnover 31 per cent and pre-tax profit 38 per cent in 1986/87, in what Mr David Reich, chairman, said was a very special year.

Mr Reich said growth came organically from existing clients as well as some considerable new business gains. Horizons Media Group (49 per cent owned) and the wholly owned TMD Manchester made small contributions, and he was looking to the first full year of their involvement, in 1989.

This specialist media group, quoted on the USM, made turnover of £67m (£51m) and pre-tax profit of £1.22m (£885,000) in the year ended August 31 1988. Earnings were 13.7p (10.2p) and the dividend is raised to 3p (2.4p).

Mr Reich said the current year had started well. In the period the Yershon Group had been acquired.

Blue Circle links with Swiss group

By Andrew Taylor

BLUE CIRCLE, Britain's biggest cement manufacturer, has merged its calcium carbonate fillers and additives business with Croxton & Garry, a subsidiary of Plüss-Staufer of Switzerland.

Plüss-Staufer is one of the world's largest manufacturers of calcium carbonate additives, which are used in the manufacture of paper, plastic and paint.

The joint venture will be owned equally by Blue Circle and Plüss-Staufer and is forecast to have joint sales approaching £50m in 1989. The two companies earned combined profits of about £2.5m in 1987.

● Birmid Qualcast, now a Blue Circle subsidiary, raised its stake in Ransomes Sims & Jefferies, another lawnmower maker, to 9.23 per cent. Mr Robert Dodsworth, RSJ chief executive, described the stake as unwelcome and said: "We do not see it as an advantage to belong to a cement manufacturer."

Chemoxy rises to £0.5m

CHEMOXY International, Teesside-based processor of speciality chemicals, more than doubled pre-tax profits from £237,000 to £514,000 in the six months to the end of September.

Turnover was up 71 per cent at £5.68m (£3.31m) and, after an increased tax charge of £180,000 (£83,000), earnings per 10p share were also more than doubled at 11.6p (5.69p). There is no extraordinary profit this time. There is no extraordinary profit this time. Last year's interim result included an extraordinary profit after expenses of £194,000. The interim dividend is raised to 2.6p (1.85p).

Mr Andrew Reynolds, said that the results derived from a general increase in demand for the company's contract chemical manufacturing services, earlier investment in new plant and better margins. All these factors were helped by the strength of the chemical sector. He added that business was continuing at a high level in the second half.

Union Square hits £1.84m

Union Square, residential and commercial estate agent and consultant quoted on the USM, increased its turnover from £1.46m to £7.62m for the six months ended September 30 and for the period saw its profits surge from £648,000 to £1.84m.

Mr David Thompson, chairman, said an important contribution to group earnings came from the commercial estate agency activities of Anthony Green and Spencer, a company acquired earlier this year.

Half year earnings pushed ahead to 2p (0.85p) and the interim dividend is being stepped up from 0.3125p to 0.4p.

Rugby £34m Australian buy

By Andrew Taylor, Construction Correspondent

RUGBY GROUP, the British cement company which has been steadily diversifying into other building materials is poised to increase its Australian interests by purchasing Stegbar, timber and aluminium windows and doors group, for A$72m (£34m).

Rugby said yesterday that agreement had been reached for the purchase from ACI (International), subsidiary of BTR Nylex.

The deal, payable in cash, is subject to approval by the Australian Foreign Investment Review Board.

Rugby, which increased pre-tax profits by 43 per cent to £31.5m in the six months to the end of June, already owns cement and joinery interests in Australia. In July it bought Baltic Industries, a small manufacturer of wooden doors, for A$3.8m.

Mr Andrew Teare, Rugby's managing director, said Stegbar was Australia's leading manufacturer of quality timber windows. It also commanded a substantial share of the aluminium window and door market, as well as owning Australia's largest built-in wardrobe and showerscreen business.

Stegbar, which has 10 manufacturing plants and 38 shops and showrooms, would have contributed pre-tax profits of A$8.5m and sales of A$100m if it had been owned by Rugby for the whole of this year, said Mr Teare.

SW Resources loss

Southwest Resources made turnover of £1.42m in the half year ended September 30 1988, against £2m last time, and loss before tax was £389,000 (profit £282,000). Loss per share 0.75p (earnings 0.54p).

Wyndham advances to £0.5m

WYNDHAM GROUP, Cardiff-based engineering, property, motor distribution and financial services group, yesterday unveiled taxable profits sharply higher at £501,000 for the six months to end-September.

The advance from £225,000 was posted on turnover up £8.1m to £12.75m. Mr Brian Brownhill, chairman, said that the group's BMW and Honda franchises accounted for a "substantial" proportion of turnover.

Wyndham has revealed that it has acquired a 5.04 per cent stake in fellow motor dealer William Jacks. Mr Brownhill said that the group regarded the stake as "an investment" and would be willing to increase it.

A hostile bid for Jacks would be impossible since it is 57 per cent owned by Johan Holdings, the Malaysian group. However, Mr Brownhill said he might be interested in a takeover if Johan wanted to sell its stake.

The interim dividend is lifted to 1.5p (1p).

London Securities ahead

LONDON Securities, property and venture capital group, unveiled a 79 per cent expansion to £1.14m in taxable profits for the six months to September 30.

Directors said the main contribution to the improvement resulted from the disposal of the group's shareholding in Merchant Manufactory Estate Company.

Earnings per 15p share rose to 1.9p (1.2p). Directors said they hoped to be able to recommend a larger dividend for the year. Last year, the group paid a single dividend of 0.5p.

Mountview Estates 36% up at £6.4m

First-half profits from Mountview Estates, property dealing group, rose nearly 36 per cent, but the current six months cannot be expected to show the same rate of increase.

In the period to September 30 1988 turnover increased 32 per cent to £8.16m and the pre-tax profit came through at £6.42m (£4.73m).

Earnings were 90.2p (62.9p) and the interim dividend is doubled to 2p to reduce disparity with the final - 7.5p last time.

The directors said since September the rise in interest rates and limitations on mortgage relief had undoubtedly slowed down the rate of increase in house prices and reduced the speed with which sales were being completed.

MONTHLY AVERAGES OF STOCK INDICES

	Nov.	Oct.	Sept.	Aug.
Financial Times				
Government Securities	88.23	88.82	86.99	87.76
Fixed Interest	97.25	97.25	95.87	97.43
Ordinary	1478.1	1493.3	1429.2	1474.3
Gold Mines	175.1	172.4	175.3	195.1
SEAQ Bargains (5 p.m.)	24,100	25,089	20,458	23,171
F.T.-Actuaries				
Industrial Group	969.40	979.26	934.42	974.10
500 Share	1034.07	1044.29	1002.78	1044.04
Financial Group	688.61	696.87	670.97	698.30
All-Share	948.82	957.55	918.36	954.36
FT-SE 100	1818.0	1842.9	1773.8	1830.2

	Nov. High	Nov. Low
Ordinary	1507.7(1st)	1452.5(14th)
All-Share	968.72(1st)	926.87(28th)
FT-SE 100	1857.8(1st)	1781.5(28th)

Downturn for ICD

INTERNATIONAL Communication and Data, a restructured Third Market company formerly known as Publishing Holdings, returned profits of £20,000 pre-tax for the half year ended August 31.

That compared with a restated £225,000 for the corresponding period of the previous year.

An extraordinary item of £666,000, relating to profit on the disposal of various trading divisions less the cost of cessation of those divisions, left the company with a profit of £686,000 (£197,000).

During the half year ICD totally withdrew from traditional publishing with the disposal of its financial magazines and newsletters.

The company finished the 1987-88 year with a bottom line loss of £560,000.

BOM losses little changed

Reorganised BOM Holdings, formerly Bristol Oil & Minerals, incurred pre-tax losses of £514,000 for the six months ended July 31, little changed on last time's £507,000.

During the period the retailing business was reorganised into two distinct trading divisions, Just Leather and Roselodge Kitchens.

The directors said the costs of the reorganisation had affected the results but they were confident that the measures taken would enhance profits.

Profits and write-offs which arose from continued rationalisation of the "old BOM" problems and which amounted to £186,000 were taken below the line as an extraordinary item.

Rolfe & Nolan advances to £350,000

Profits of Rolfe & Nolan Computer Services improved from £232,000 to £350,000 pre-tax for the half year ended August 31. Turnover moved ahead to £1.89m compared with £1.47m.

Earnings amounted to 8.1p (5.3p) and the interim dividend is being lifted to 2.1p (1.5p). The company's shares are traded on the USM.

The directors said that despite the anticipation of fairly static revenues in the second half they expected profits for the period to show an improvement.

Northern American NAV rises to 474.4p

Northern American Trust reported net asset value higher at 474.4p at October 31. This compared with the 445.1p reported a year earlier.

Net revenue for the year to the end of October was £2.39m (£1.88m) and earnings per share worked through at 6.96p (5.46p).

The directors are proposing a final dividend of 4.85p (4p) for a total for the year of 6.25p (5.4p).

HPC progresses

HPC Group, maker of polythene film products and distributor of protective clothing, increased pre-tax profits by 10 per cent, from £366,000 to £401,000 in the half year ended Sepember 30 1988.

The results are the first since flotation on the USM in May. The interim dividend is 1p, as promised.

Turnover rose 55 per cent to £4.5m. A significant proportion came from the first time inclusion of Maurice Wade, acquired in February.

Rowlinson soars

Rowlinson Securities, property investment, development and building construction concern, saw pre-tax profits leap from £641,000 to £1.63m in the six months to the end of September.

The substantial rise in profits was mainly due to property trading, the company said. Turnover trebled to £9.54m (£2.91m) and, after tax of £569,000 (£224,000), earnings per 10p share advanced to 8.45p (3.34p). The interim dividend is lifted to 0.24p (0.22p).

TSB CI profits rise to £7.3m

TSB Channel Islands, the USM-quoted banking, financial and related services concern, raised pre-tax profits by 20 per cent from £6.06m to £7.3m for the year ended October 31 1988.

Total income grew 23 per cent to £13.44m, including a surplus on disposal of investments of £1.38m (£954,000). The tax charge was £1.31m (£1.38m) and earnings per share advanced from 16.4p to 19.98p.

The directors have recommended a final dividend of 2.68p (2.32p) making a total of 4.88p (4.32p) for the year.

Retail customer deposits increased by £47.5m in the year, a 22 per cent growth. Advances to customers rose by 78 per cent to £77.8m and investment in commercial lending services was now producing the anticipated growth.

Mortgage advances grew by 72 per cent and treasury deposits doubled.

PUBLIC WORKS LOAN BOARD RATES

Effective November 30

Years	Quota loans repaid by EPT†	Att	at maturity§	Non-quota loans A* repaid by EPT†	Att	at maturity§
1			12⅛			12⅞
Over 1 up to 2	12	12	11½	13	13	12¼
Over 2 up to 3	11⅝	11⅝	11¼	12⅝	12⅝	12
Over 3 up to 4	11⅜	11⅜	11	12⅜	12⅜	11¾
Over 4 up to 5	11¼	11¼	11	12¼	12¼	11¾
Over 5 up to 6	11⅛	11⅛	11	11⅝	11⅝	11½
Over 6 up to 7	11⅛	11	10⅞	11⅝	11½	11⅜
Over 7 up to 8	11	11	10¾	11½	11½	11¼
Over 8 up to 9	11	11	10½	11½	11½	11
Over 9 up to 10	11	11	10⅜	11½	11½	10⅞
Over 10 up to 15	10⅞	10⅜	9⅞	11⅜	10⅞	10⅜
Over 15 up to 25	10	9¾	9½	10½	10¼	10
Over 25	9⅝	9⅜	9⅜	10⅛	9⅞	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

MANAGEMENT: Marketing and Advertising

Legislation has radically changed the UK building society market in the past two years. While defending their traditional mortgage business, the societies have joined battle with other financial institutions over a widening range of services from credit cards to current accounts, from insurance to estate agencies.

How have the societies responded to these growing competitive pressures? Very effectively, it seems, if judged by the winners of the industry's first marketing awards, sponsored by The Building Societies' Gazette and Thomas Cook Travellers Cheques.

The Alliance and Leicester came out best of the big societies with a television advertising campaign which had already taken an IPA advertising effectiveness award.

The fifth largest society in the country since it was formed from the merger of two societies in 1985, the Alliance and Leicester's market research in 1987 showed that only 54 per cent of adults were aware of it – less than the pre-merger levels for the bigger society, the Alliance, and well below that of the Halifax and Abbey National.

With the primary aim of reversing this trend, the society launched its national television campaign in September and November last year. The commercials, created by BMP Davidson Pearce, and featuring comedians Stephen Fry and Hugh Laurie, were seen as a long-term brand-building exercise.

"You get a smarter investor with the Alliance and Leicester" was the message – and it was repeated in a second burst of advertising in February-April this year. The effect, within seven months, was to raise the awareness level to 70 per cent. A third campaign, focused on the society's Cash-Plus account and running now, is giving a further boost to the Alliance and Leicester name.

"The impact has been considerable," says John Day, assistant general manager (marketing). "It has established our position in the market." But the advertising, on which the Alliance and Leicester has spent £9m in the 12 months ended in September, has done more than that.

The society's financial results for the year, due to be published shortly, are expected to show receipts up by more than 70 per cent and mortgage loans by 60 per cent. Much of this business growth is ascribed directly to the advertising.

Comedians Hugh Laurie (left) and Stephen Fry: raising awareness of Alliance and Leicester

Rewarding image for building societies

Philip Rawstorne reports on marketing successes in the recently liberalised and increasingly competitive UK financial sector

The Alliance and Leicester estimates that the campaign has been responsible for 28 per cent additional net receipts. That alone means that the campaign has already almost paid for itself, with the prospect of generating more profits over the next two years.

In addition to supporting the television commercials with advertisements in both national and local newspapers, Day intends to develop the society's radio advertising next year, using more Fry and Laurie commercials. "We have not spent much on radio yet," he says. "But the results have been very encouraging."

Direct marketing to the society's customer base of around 2.5m people will also be increased. "Building societies did not have to cross-sell before," says Day. "Most of our lenders are over 45 years old, and most of our borrowers are under 45. Previously we had two separate markets to address. Now we have products that will interest all our customers, our direct marketing is rapidly increasing in importance. But it will have to be handled carefully. We do not want to upset the relationship that has been established with our customers."

But if the Alliance and Leicester campaign has made one of the bigger splashes in the market, the awards recognised that some of the smaller fish in the industry are proving equally adept at dealing with the competitive pressures.

The main award went to the Skipton Building Society, 18th in the industry rankings with 180,000 investors and 50,000 borrowers, for a campaign to market its capital growth plan which, the judges said, was "difficult to fault".

After considering the new product areas opened by the *Building Societies Act*, the Skipton decided to enter only those in which it could offer a product which had a competitive edge on what was currently available in the market.

It decided, for instance, not to go into current account banking which it felt was unprofitable in itself and was likely to limit its ability to compete in its core business of investment accounts and mortgages.

The objective was to exploit areas where the Skipton had a particular strength. The idea of an investment bond fitted into this strategy. The society's customer base is upmarket. More than half of its customers have average balances of £8,000 in its investment account.

So in January 1987, the Skipton joined with the Scottish Widows life assurance company, to launch the capital growth plan. National and local press advertising, by Gillett & Bevan, a Manchester agency, focused on the 20.3 per cent average growth achieved by the Scottish Widows fund in the previous five years.

The cost effectiveness of the advertising was measured against the 5 per cent commission that the society was receiving on all investments in the bond. For example, a £5,000 advertisement had to attract at least £100,000 to be worth extending.

All advertisements were coded to show the source of applications and statistics were provided weekly for the marketing department. The overall spend on the campaign was £138,199 and it attracted investments of £4m – a cost effectiveness ratio of 3.4 per cent.

Telemarketing was used to follow up inquiries that had not resulted in investment. Marketing manager, Tim Hughes, says: "The general response to the calls was positive and we increased the number of bonds taken up by about 10 per cent."

A direct mailshot to the society's existing customers, costing £20,000, brought in another £5.5m of investments. After that success, a second direct mailing was made at a similar cost and raised a further £3.5m. Leaflets displayed in the society's 60 branches proved even more successful in attracting business. Sales of nearly £10m were made through the branches.

To keep up the sales momentum, extra bonuses were added to the bond nine months after its launch.

Sales finally amounted to £23m. Gross profits to the society were more than £1m – a significant contribution to its total pre-tax profit for 1987 of £12.7m.

"Overall," says Hughes, "the campaign demonstrated the importance of getting all the elements of promotion together at the right time and being able to monitor their effectiveness."

The stock market crash of October 1987, which brought the Skipton's bond sales to an end, provided, in contrast, a boost for the minnow among the award winners, the single office Mornington Building Society, in London.

Concerned about the outflow of funds caused by the Government's privatisation issues in 1987, the Mornington decided to try to reverse the trend by introducing a two-year term share, at a rate of 9.25 per cent.

The share was launched to the press and secured widespread publicity in the national press. At the same time, a carefully targeted advertising campaign, devised by the society's agency, Primary Contact, began in four national dailies and three Sunday newspapers. Within a month, £3.4m worth of shares had been sold.

As the security of building society investments was highlighted after "Black Monday", demand surged. When the share offer was closed a few weeks later, the Mornington had totted up 900 new accounts and balances of more than £11m – all for an advertising outlay of £20,000.

"It confirmed the definition of marketing as having the right product in the right place at the right time at the right price," says Mornington's business development manager, Tim Cadel.

Leisure

Towards a homely lifestyle

David Churchill on a forecast for the industry

The leisure consumer in the 1990s will spend more money on sports, holidays abroad, and pursuing an upmarket "lifestyle" image within the home rather than spending more time and money on traditional leisure activities such as gambling, and visits to the pub and the cinema.

This is the central conclusion of the latest look into the future of the leisure industries by the Henley Centre for Forecasting.

It projects a picture of rapidly changing leisure markets, subject to the pressures of *developing technology* – such as satellite television – and changing demographics which, for example, will see a sharp decrease in the number of young people in the population by the mid-1990s.

Henley warns that those leisure markets which cannot be repositioned to be attractive to older age groups "will almost certainly have to prepare for a bleak medium term with the hatches battened down until the current mini baby boom (which will peak in 1995) reaches maturity."

Leisure spending – which will total £68bn this year – has a bright future. Henley forecasts that over the 1990-93 period real leisure spending will increase by an average of 2.7 per cent a year compared with an overall increase in consumer spending of 2.5 per cent per year over the same period.

Three key trends in the leisure sector are emerging for the early 1990s, with significant implications for the marketing strategies of the companies involved.

● In-home leisure. Henley forecasts that real spending on in-home leisure pursuits (photography, watching videos, listening to music and reading, etc) will increase by some 27.5 per cent by 1993.

"The home is increasingly becoming the focus of our leisure time, functioning as a multi-purpose activity centre," says Henley. This is partly a consequence of improving levels of comfort in the home, clearly shown by the rise in penetration of consumer durables – such as microwave cookers, central heating, and fridge/freezers – in British households.

The degree to which interests are centred on the home "reflects consumers' dissatisfaction with the quality of away-from-home leisure venues," adds Henley. "Consumers have consequently voted with their feet to carry out many such activities at home."

The cinema, point out the researchers, is the away-from-home leisure activity which has suffered most dramatically from this trend.

● Information-related leisure. This sector – covering reading, listening, and video and cinema – will account for nearer a fifth of leisure spending in 1993 than the 18.5 per cent share last year.

Henley points out, however, that it will be the visual/audio sections which will really benefit from this growth while the more traditional reading markets will be basically static.

It believes that demand for audio equipment and associated software will remain high in spite of the fall in numbers of young people. "Their increasing scarcity in the labour market will tend to keep their per capita income high, ensuring that the listening market [for audio and other equipment] can still expect to attract a reasonable share of their discretionary spending."

Henley sees the main trends in this market as being towards portability and compactness of product as well as the "perceived status symbol value of much audio equipment boosting the demand for high value-added products."

The forecasters are less optimistic about the short-term prospects for satellite broadcasting, arguing that consumer confusion will lead to sluggish sales of satellite receiving dishes.

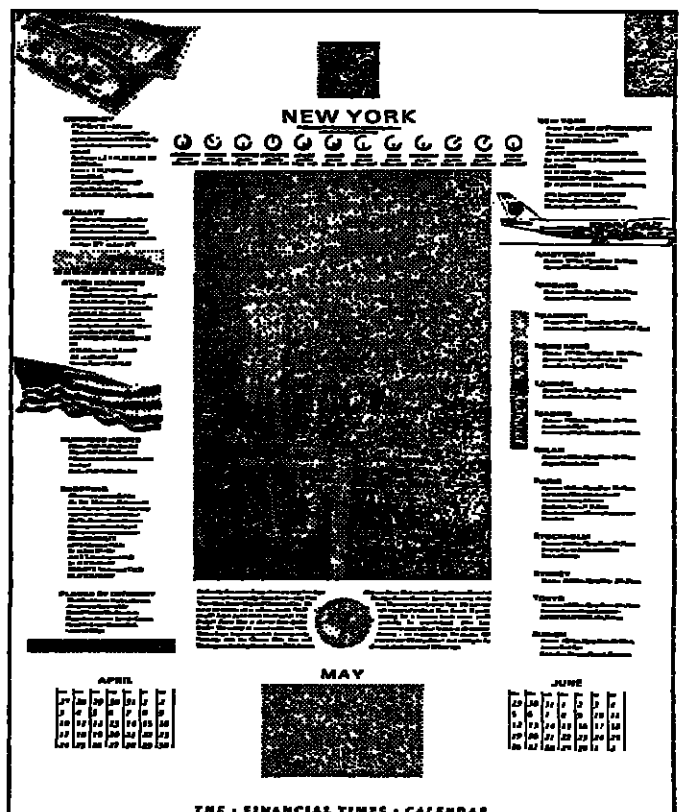
"After a slowish start, therefore, we believe that by the year 2,000 satellite penetration will be approaching that of videos at around 70 per cent of households."

● Physically active leisure. This sector – which includes do-it-yourself, gardening, as well as sports – remains the most dynamic in terms of volume growth. Henley predicts that spending in 1993 will be some 73 per cent higher in real terms than in 1987.

The key determinant in the sector's growth is seen as the continuing aspiration towards a healthier lifestyle. In particular, this is emerging among a more sporty middle-class as well as the increasingly prosperous segment of the over-50s market with the time and money to develop more active and vigorous lifestyles.

The DIY and gardening sectors will also benefit from the growth in numbers of adults in the 25 to 44 age range, who tend to be more family- and home-oriented and therefore interested in maintaining the appearance and value of their property.

* *Leisure Futures: Henley Centre for Forecasting, 2 Tudor Street, London EC4Y 0AA. £800 per year.*



COMMODITIES AND AGRICULTURE

French traders report Ivorian cocoa deal

SUCRES et Denrees, the French trade house, has bought 400,000 tonnes of Ivorian cocoa as part of a deal between Abidjan and the French Government to cut the Ivory Coast's excess cocoa surplus, French traders said, Reuter reports from Paris.

"The financial aspect of the deal was finalised only late last week. Ivory Coast will officially announce the agreement next week at a cocoa producers' meeting in Lagos," one senior trader explained.

Sucres et Denrees declined immediate comment.

On the London Futures and Options Exchange cocoa prices closed lower. Prices were further weakened by profit-taking as the market continued to await details of the deal. The March contract ended the day at £866 a tonne, down £16.

In New York, cocoa futures surged $40 a tonne off the day's lows following news of the deal, before easing again. Some traders were highly sceptical of the news.

"When we see an official statement from Abidjan co-ordinated with Paris, I'll believe it," said a trader at one commission house.

"I don't believe they (Sucres et Denrees) did it. I don't believe that large a purchase would have been made by one company," said another.

Under the deal, some 200,000 tonnes will be stored in Europe, 100,000 tonnes will be sold to the Soviet Union and other Eastern European nations and the rest will gradually be released onto the market, according to French traders.

"Most of the cocoa destined for storage will be kept in Amsterdam, because they have the best facilities there. A small part will probably be stored in Hamburg, too," the senior trader said.

No-one could give details yesterday on the extent and terms of the French Government's financial involvement in the deal. The traders said 20,000 tonnes of cocoa, part of the 200,000 tonnes destined for storage, were about to leave the Ivory Coast.

Mr. Jacques Pelletier, the French Co-operation Minister, said on Tuesday that no decision had been taken yet but that French financial aid was linked with fresh talks between Abidjan and international monetary bodies on Ivory Coast's external debt, totalling nearly $10bn.

Norwegian oil field starts up

By Karen Fossli in Oslo

NORSK HYDRO'S Oseberg field, *one of Norway's largest oil deposits*, commences production today at a rate of about 100,000 barrels a day. Plateau production of 240,000 b/d should be reached in three to four months, increasing Norway's total oil production by more than 20 per cent.

The timing is somewhat embarrassing for Norway, coming just three days after the Organisation of Petroleum Exporting Countries won acceptance from all 13 members for limiting oil output in a bid to prevent a price crash.

Norway first pledged support for Opec at the end of 1986 and is still producing at 7.5 per cent below capacity. This policy is reviewed every six months and hinges on Opec's resolve to continue efforts to stabilise oil prices.

● Mr Rilwanu Lukman, the Nigerian Oil Minister and president of Opec said in an interview on Channel 4's "Business Daily" programme yesterday that Opec's target price of $18 a barrel would only be reached gradually.

He said some Opec members, particularly the United Arab Emirates, might have difficulty adhering to their agreed production quotas, but they would do their best.

Algeria accepts reality on gas pricing

Francis Ghilès reports on a new strategy which is paying off in export sales

ALGERIA HAS decided to accept the commercial reality of today's natural gas market after several years of sticking to a high price strategy, even at the expense of losing markets.

As a result of this change in policy, Sonatrach, the country's hydrocarbon monopoly, has started a worldwide campaign to to expand gas sales.

In the past, Sonatrach has often been accused of selling gas price ideology more than gas. More than half its 30.8bn cubic metres a year liquefied natural gas (LNG) capacity is idle as a result of difficulties with its export contracts this decade.

Some of these problems are not its fault, but the long arguments about apportionment of blame and Algeria's insistence on prices higher than the market will bear have prevented the country from finding new outlets and from restoring relations with old customers. Indeed, protracted stalemate in its talks over pricing of existing trade with France have threatened the continuation of contracts when they come up for renewal in the 1990s.

Since the summer, Sonatrach has even dropped its insistence on treating existing customers less favourably than new ones. It has also:

● revived exports to the US, at competitive prices;

● re-opened the world's first commercial LNG trade, between Algeria and the UK, with spot cargoes this winter;

● concluded its first-ever sale to Japan;

● resumed price talks with its biggest LNG customer, Gaz de France, insisting on commercial rather than political terms.

The last development is the most significant, although Algeria's intentions will not be clear until the new contract pricing clause is agreed.

These moves explain the bold terms in which the then recently appointed head of Sonatrach, Mr Sadek Boussena (recently promoted again, to the post of Minister of Energy), insisted that Sonatrach would like to be paid a "commercial price" for the 9.15bn cubic metres of LNG it sells annually to France. It will no longer urge any price which may appear to be a political one, he says.

Gaz de France and Sonatrach have been bogged down in complex gas contract negotiations for more than two years. The price revision now being negotiated will be back-dated to January 1987. Negotiations have been held up on two issues – the gas pricing formula and the French demand for greater flexibility in the volumes of gas to be supplied. Until these issues are settled, no discussions can be held on renewing contracts, the first of which expires in 1991.

At present, Algeria's European customers – France, Belgium and Spain – are paying about 83 US cents per million British thermal units less than they are being invoiced, because the customers believe the gas is over-priced. On October 1, the price actually paid was estimated to be $1.37 per million Btu fob Algeria, or $1.87-$2.27 delivered.

The underpayment has, in the case of France, been going on for almost two years and the accumulated difference with the billed amount equals roughly FFr 2.5bn. Some of this will be paid to Sonatrach when the new price is agreed.

Until 1986, Algeria had insisted that prices of the gas it exported must reflect the full cost of extraction, including capital charges. This led France to accept a 27 per cent premium over commercial prices in 1982. This premium was paid by the French Government in 1982 and 1983 then by Gaz de France for the next three years.

Since January 1987, with both sides openly disagreeing on pricing, no premium has been paid by France and the compromise which will eventually be found over the FFr 2.5bn will determine whether Gaz de France is still paying a premium.

Greater pressure than ever before is being brought to bear on Sonatrach to settle once and for all this long running dispute. The recent riots in Algeria have underlined the high price the country is paying for the austerity induced by the sharp decline in its foreign income, more than over 95 per cent of which is from oil and gas exports.

Mr Boussena's remarks were well received in Paris where a flurry of meetings between Sonatrach and Gaz de France officials has taken place in recent weeks. If Algeria needs greater financial help, it is argued, far better provide it through French Treasury concessionary loans than by paying a premium over the commercial price for gas.

The issue of flexibility is likely to be settled quickly once a price is agreed and will be in line with the 10 to 20 per cent annual delivery swing afforded France by its Soviet gas contracts. Neither the Soviet Union nor Algeria is in a position to offer the much greater flexibility provided by the Dutch exporter Gasunie. It is noteworthy, however, that these principal competitors for the French gas market have also yet to settle revised price terms with Gaz de France, making it more difficult than usual for Sonatrach to gauge the going rate for gas exports to France.

In the US market, Sonatrach has had to accommodate to extremely low prices. The basis for a re-entry into the market was worked out with Panhandle Eastern Company, of the US, in April 1987.

A similar arrangement was reached with the first US customer, Distrigas of Boston, and some cargoes were delivered for the first time in three years, earlier this year. This winter, Distrigas expects to take between nine and 13 cargoes of LNG (each representing about 70m cu metres of gas). Trunkline, which until recently had a flexible contract but no buyers of Algerian gas, has recently concluded a sale to a power company in Florida which will enable LNG deliveries to its Lake Charles, Louisiana terminal to begin later next year.

Until the past week, the elusive third major market often approached but never breached by Sonatrach's LNG, was Japan. But on Sunday, a deal was announced under which Sonatrach will supply 300m cubic metres of LNG per year to Japan's two leading gas companies, Tokyo Gas and Osaka Gas. Clearly, the company's more commercially-oriented policy is paying off.

Moscow worried at rising agricultural insolvencies

By Quentin Peel in Moscow

MORE THAN 300 major Soviet agricultural enterprises, including state farms and collectives and food processing plants, have been declared insolvent in the past year, under the new stringent financial policy being adopted by the Soviet authorities.

The action by the State Agro-Industrial Bank (Gosagroprombank) marks a radical departure from the willingness of the Soviet Government to provide massive subsidies to the farm sector, the weakest link in Mr Mikhail Gorbachev's urgent efforts to overhaul the Soviet economy.

The figures were revealed in an interview by Mr Alexander Obozintsev, the chairman of Gosagroprombank, who blamed poor management for disguising the extent of their plight from their farm workers.

However he said that no major state farms or collectives had yet been declared bankrupt – a concept which still does not exist in Soviet law – although some in the future would have to be "liquidated".

He told Pravda, the Communist Party newspaper, that the same reasons for loss-making were common across the country: "Lack of turnover, bad management, squandering of resources."

"Salaries are paid without due account being taken of incomes, a large share of funds is being spent on goods not accounted for in the plan, on excess reserves of raw materials, equipment and spare parts."

He said the first step for Soviet farms declared insolvent by the bank – one of six specialised sectoral banks now operating in the Soviet Union – was to transfer to a system of cost-accounting.

The accumulation of excess reserves of raw materials, equipment and spare parts is endemic throughout the Soviet economy, because of erratic deliveries and poor communications between enterprises.

Mr Obozintsev said that in a number of cases "the causes of the losses are incompetent instructions and the decisions of superior organisations. . . All this has to be made known, the real culprits have to be named and incompetent administrators have to be got rid of."

The sweet and sour of Europe's sugar regime

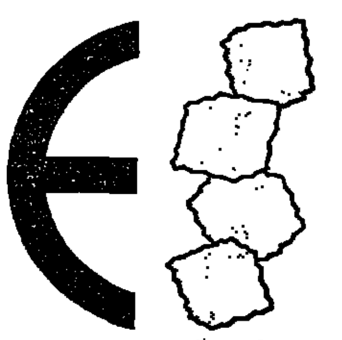
Tim Dickson examines the dilemmas posed by an appallingly complicated price support policy

VIEWED FROM Brussels, the EC's sugar regime arguably represents one of the bright spots in the continuing process of Common Agricultural Policy reform.

Clear limits on output are fixed for five years ahead, forward planning for farmers and processors is assured, and, thanks to the principle of "self financing", under which the costs of disposal are passed directly back to producers, the impact on the EC budget is remarkably slight.

Viewed from Montreal, where next week Trade Ministers meet to consider new ways of reducing global farm supports, the EC regime is a prime target for sustained attack.

Buoyed up by high internal support prices, maintained via variable levies on imports, the Community has moved over the last 10 to 15 years from a position of net importer to become one of the largest exporters of white sugar in the world. The surpluses generated with the help of Brussels' protective shield have been a major factor in driving down world prices and clearly damage returns to suppliers which do not provide comparable levels of domestic support



The European Commission continues to take a tough line in response to these criticisms, insisting that it will not take any action unilaterally to reduce the Community's production and blaming others for failure so far to agree market shares under the International Sugar Agreement. The finger is also pointed menacingly at the US, because of its more recently imposed quota restrictions on imports.

If, on the other hand, in the months after the Montreal meeting the major agricultural nations can discover that so far elusive formula for rolling back the overall level of agricultural support, cuts in EC sugar output and in the Community's guaranteed price could soon follow.

Rather like a mouthwatering sweet which turns out to have a disappointingly sour centre, the EC's sugar policy is not nearly as cheap to operate as at first it appears. The reason is that much of the cost of the regime, as paid for by producers, is passed on to consumers in higher domestic prices – a point which Commission officials try to deflect by pointing to equally high prices of the commodity in the protected markets of Japan and the US.

Production in the EC is controlled by two types of quota – the so-called A quota, which roughly equates with the EC's own needs and qualifies for the full "intervention" price of Ecu 541.8 per tonne, and the smaller B quota, which is equivalent to EC exports and for which a lower guaranteed price applies (a bit less than two thirds of the intervention price).

On top of this there is C sugar, which does not come under any quota, does not receive any price support and which must be sold outside the Community. However, producers can put C sugar into store and use it as part of their A quota allocation for the following year.

The main cost to the Community budget is accounted for by export subsidies – or "restitutions" – paid to bridge the often yawning gap between the high guaranteed internal EC sugar price and the lower world market price. Much of this money, however, is clawed back by Brussels through levies (collected at the processing stage) equivalent to 2 per cent of the intervention price of A sugar and up to 37.5 per cent of the price of generally exported B sugar. In view of the persistently depressed level of world prices in recent years, further measures have been needed. In 1985, for example, the Community agreed to introduce the elimination levy, effectively designed to wipe out the budget deficit of Ecu 400m (£260m) which the regime had accumulated over the previous five years.

At the February Summit this year the much-vaunted "budget stabilisers" package agreed by Heads of Government took self-financing to its ultimate conclusion by arranging a special levy to wipe the slate clean at the end of each year.

The result is that the only cost borne by the Community's budget arises from the obligation to import 1.3m. tonnes of sugar a year from the African, Caribbean and Pacific countries associated with the EC under the Lomé Convention. Since this displaces an equivalent amount of Community produced sugar from the home market, it is not thought fair that domestic producers should have to contribute to the disposal of 1.3m tonnes outside the Community.

Thus of the Ecu 2.099bn earmarked in the preliminary 1989 budget (compared with spending of Ecu 2.03bn in 1987) only about Ecu 1.5bn. is likely to come back through the levy system.

Unlike other regimes where Brussels pays to put surplus output into Community stores, the EC's policy of exporting its excess sugar means there are no public intervention stocks. Given the Commission's key market management role, however, it is always concerned at the overall position in the EC and is proud of the fact that it took advantage of the strength of prices earlier this year to get total stocks down from 2.776m tonnes at the end of September 1987 to just over 2.3m tonnes 12 months later. Further opportunities for selling are likely to be taken but market managers will be anxious not to do anything to disrupt the relatively firm level of prices.

Less reassuring perhaps is the lack of any significant sign that the quota system (albeit subject to five-year reviews) is other than a permanent feature of the market. As in the dairy sector sugar quotas have been a highly efficient way of curbing output while protecting farmers from the painful effects of a sharp price cut. But the longer they last the deeper and more unpalatable the alternative of a price cut becomes. Moreover, the approach of the so-called "single" EC market in 1992 exposes the contradiction between the Community is becoming increasingly uncomfortable with a system based on rigid national shares which favour the relatively less efficient British and Italians against the more efficient French and Germans.

That should provide food for thought at the next five-year review of the regime in 1991, when the opportunity should also be taken to simplify a now appallingly complicated policy.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices rose sharply yesterday on growing concern about tight supplies of robusta from Africa. The second position contract closed at £1,096 a tonne, a rise of £29, bringing closer the possibility of an increase in International Coffee Organisation export quotas. The 15-day ICO indicator price must reach 114.40 cents a lb to trigger a 1m bag increase; yesterday it stood at 114.32 cents. Dealers said robustas looked very tight for December/January/February/March shipment and operators were wary of a squeeze on the futures market. Uganda, Zaire, the Ivory Coast and Cameroons had had difficulties transporting coffee. On the LME, copper, zinc and lead prices were in retreat, with the copper market featuring sporadic profit-taking and heavy speculative liquidation. In the bullion market, platinum broke through the $600 an ounce barrier.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.65-75q	-0.15
Brent Blend	$14.23-33x	+0.08
W.T.I. (1 pm est)	$15.10-13q	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	-1
Gas Oil	$138-139	
Heavy Fuel Oil	$68-70	+1
Naphtha	$137-139	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$423.25	+0.60
Silver (per troy oz)♣	615c	+5
Platinum (per troy oz)	$601.0	+13.2
Palladium (per troy oz)	$128.0	+0.5
Aluminium (free market)	$2365	-40
Copper (US Producer)	182⅝-165c	-2⅝
Lead (US Producer)	40¼c	
Nickel (free market)	625c	-15
Tin (European free market)	£4037.5	
Tin (Kuala Lumpur market)	19.59r	
Tin (New York)	343.0c	-0.5
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	113.29p	-0.36*
Sheep (dead weight)†	167.29p	-8.12*
Pigs (live weight)†	80.72p	-0.81*
London daily sugar (raw)	$264z	+2
London daily sugar (white)	$300z	+5
Tate and Lyle export price	£263	+1
Barley (English feed)	£113.5v	
Maize (US No. 3 yellow)	£127x	-1
Wheat (US Dark Northern)	£113x	
Rubber (spot)♥	55.75p	-0.75
Rubber (Jan)♥	60.75p	-0.75
Rubber (Feb)♥	61.75p	-0.75
Rubber (KL RSS No 1 Dec)	276.0m	+0.5
Coconut oil (Philippines)§	$560z	
Palm Oil (Malaysian)§	$390	
Copra (Philippines)§	$370x	
Soyabeans (US)	$175.5z	-0.5
Cotton "A" index	59.4c	+0.1
Woolltops (64s Super)	605p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. x-Dec. w-Nov/Dec. v-Jan/Mar. u-Mar. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Dec	846	855	853	828
Mar	866	882	876	851
May	868	878	874	850
Jul	870	881	874	855
Sep	869	881	872	853
Dec	894	905	894	875
Mar	905	910	905	900

Turnover: 10284 (7711) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 29: 1133.19 (1122.49):10 day average for Nov 30: 1113.13 (1106.42).

COFFEE £/tonne

	Close	Previous	High/Low	
Nov	1077	1057	1078	1057
Jan	1096	1067	1096	1065
Mar	1085	1066	1089	1065
May	1080	1061	1080	1064
Jly	1075	1062	1078	1064
Sep	1074	1065	1077	1062
Nov	1070	1065	1072	1070

Turnover:4563 (3811) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 28: Comp. daily 113.37 (113.12); . 15 day average 114.32 (114.28).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	260.40	263.00	260.40	259.00
Mar	250.20	256.40	256.60	249.20
May	242.40	248.00	247.40	242.00
Aug	235.80	241.60	240.80	235.80
Oct	233.00	237.60	237.20	234.40
White	**Close**	**Previous**	**High/Low**	
Mar	285.00	289.00	289.00	284.00
May	280.00	282.00	284.00	280.00
Aug	280.00	282.00	284.00	
Oct	276.00	277.00		
Dec	275.00	272.00		
Mar	274.00	274.00		

Turnover: Raw 3218 (4481) lots of 50 tonnes. White 1210 (989).
Paris- White (FFr per tonne): Mar 1686, May 1663, Aug 1663, Oct 1620, Dec 1618, Mar 1615

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2250	162	166	43	127
2350	102	121	83	180
2450	60	86	139	242
Copper (Grade A)	**Calls**		**Puts**	
2950	295	253	92	272
3100	208	194	153	360
3300	122	134	265	495

WOOL

With wool prices drifting daily down towards floor price levels in Australia the trade is inevitably standing back, where this is possible, until steadiness, or the floor price itself, is reached. The AWC is reported to have bought in fleece wool, after modest bidding on some types earlier. Carding wools represent the bulk of purchases, which for the first time for many months reached 12% of the offering at Geelong. Much of the UK industry is busy at present but anxieties concerning 1989 naturally increase. Particularly important are high interest rates. Strength in sterling also attracts imports wherever substitution is possible. Bradford top quotations vary around 605p per kg. for 64s super and 440p for 58s super.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 9,050 tonne
Cash	2370-80	2375-85		2360-5		
3 months	2315-20	2317-20	2335/2300	2310-5	2325-30	20,988 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 7,400 tonne
Cash	1240-50	1230-40		1235-40		
Dec. 21	1240-50	1230-40		1235-40		13,459 lots
Copper, Grade A (£ per tonne)						Ring turnover 47,375 tonne
Cash	1818-23	1858-63	1840/1833	1833-5		
3 months	1615-6	1656-7	1650/1610	1635-7	1629-31	68,758 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	608-11	604-5		605-6		
3 months	621-4	618-20		618-20		432 lots
Lead (£ per tonne)						Ring turnover 15,725 tonne
Cash	382-4	380.5-2.5	383	383-4		
3 months	378-9	386-8	388/374	374-5	378-9	11,362 lots
Nickel ($ per tonne)						Ring turnover 936 tonne
Cash	13900-4000	14000-100	14000/13950	13900-50		
3 months	12700-50	12720-5	12800/12700	12725-50	12700-50	5,463 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 0 tonne
Cash	1630-40	1660-70		1630-40		
3 months	1555-65	1565-70	1560	1545-50	1570-80	1,501 lots
Zinc ($ per tonne)						Ring turnover 22,225 tonne
Cash	1625-30	1655-65		1630-40		
3 months	1538-9	1538-42	1565/1515	1530-1	1545-50	11,475 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	70.0	65.0		
Apr	96.4	96.5	96.8	96.3
May	112.5	112.5	112.5	112.5

Turnover 64 (134) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Dec	158.70	159.00		
Feb	163.50	164.00	165.00	164.00
Apr	163.00	164.00	163.50	

Turnover 57 (92) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Nov	1510	1511	1510	1508
Dec	1489	1503	1493	1478
Jan	1505	1519	1512	1492
Apr	1534	1545	1540	1520
Jul	1350	1350	1350	1330
BFI	1501	1510		

Turnover 653 (465)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	110.20	110.75	110.25	110.00
Mar	113.50	113.85	113.50	113.30
May	116.55	117.10	116.80	116.45
Jun	118.40	118.90	118.40	118.40
Sep	102.20	102.55	102.35	102.20
Nov	104.50	104.90	104.70	104.50
Barley	**Close**	**Previous**	**High/Low**	
Jan	106.20	105.90	106.65	106.20
Mar	109.55	110.10	110.10	109.55
May	111.75	112.25	112.00	111.75

Turnover: Wheat 134 (129) , Barley 140 (114) . Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	423-423½	228¾-229¼
Opening	421¼-421¾	227¾-228¼
Morning fix	421.8	228.1
Afternoon fix	422.6	228.371
Day's high	423¼-423¾	
Day's low	420¼-420¾	

Coins	$ price	£ equivalent
Mapleleaf	435-440	235-238
Britannia	435-440	235-238
US Eagle	435-440	235-238
Angel	433-438	234¼-236¾
Krugerrand	422-425	228-230
New Sov.	99½-100½	53¾-54½
Old Sov.	99½-100½	53¾-54½
Noble Plat	595.7-602.55	322.35-326.05

Silver fix	p/fine oz	US cts equiv
Spot	328.40	606.90
3 months	338.90	621.00
6 months	350.15	635.60
12 months	371.80	665.65

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Jan	14.08	13.95	14.08	14.00
Feb	14.00	13.85	14.04	13.95
IPE Index	14.07	14.61		

Turnover: 4872 (4838)

GAS OIL $/tonne

	Close	Previous	High/Low	
Dec	137.50	137.00	138.50	137.00
Jan	135.75	136.25	137.25	135.25
Feb	135.00	135.25	136.25	134.25
Mar	131.50	131.00	133.00	130.50
Apr	129.00	127.50	129.25	127.75
May	125.25	124.50	127.00	124.75
Jun	125.00	123.00	125.00	122.00
Jul	124.50	123.50		

Turnover 7566 (10237) lots of 100 tonnes

US MARKETS

IN THE metals, gold and silver prices were firm for the day, reports Drexel Burnham Lambert. Dealers were the days best buyers. Platinum futures again posted gains as commission house activity was featured. Copper trading was choppy but prices closed unchanged for the day. The soft commodities featured lower sugar prices as a lack of physical business was noted. Cocoa prices also fell as trade and commission houses were active. Coffee futures advanced 71 in March due mostly to a strong London market. In the grain markets, a *follow-through to Tuesdays late rally* along with professional short-covering provided strength in the soybeans. Corn saw moderate commercial buying. Lighter deliveries were noted. Wheat futures were listless closings up 1¼ in december. In the meat markets, cattle prices fell as lower than expected demandin the cash market depressed the futures. Pork belly and live hogs advanced as spreading and short-covering was featured. The energy markets were all higher as the API report was felt to be favorable. The last trading day in the December energy products also added strength.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	424.8	421.9	425.5	420.7
Jan	427.5	424.8	425.2	425.2
Feb	429.8	427.1	429.8	425.9
Apr	434.9	432.5	435.0	431.0
Jun	440.4	438.1	440.5	437.4
Aug	446.2	444.0	444.9	444.9
Oct	452.0	449.9	0	0
Dec	457.8	455.7	457.6	456.0
Feb	429.6	427.1	429.8	425.9

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	608.7	584.4	609.4	581.5
Apr	604.7	582.4	605.0	578.5
Jul	604.7	583.4	605.0	586.0
Oct	606.7	585.9	605.0	586.5
Jan	610.7	590.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	615.6	603.0	616.0	603.0
Jan	618.8	608.7	620.5	620.0
Feb	623.7	0	0	0
Mar	629.0	618.9	631.5	618.5
May	639.2	629.2	641.5	631.5
Jul	649.8	639.9	653.0	640.0
Sep	660.0	650.2	662.0	662.0
Dec	675.6	666.0	678.0	669.0
Jan	680.4	671.0	0	0
Mar	692.0	682.9	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	153.20	153.50	154.50	147.55
Jan	145.70	144.00	143.00	138.00
Feb	139.30	0	0	0
Mar	133.00	133.00	134.50	127.00
May	124.00	122.50	125.50	118.50
Jul	119.50	119.00	120.50	114.50
Sep	116.50	116.00	116.00	114.00
Dec	113.50	113.00	113.00	110.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	15.09	14.92	15.20	14.98
Feb	14.93	14.83	15.03	14.87
Mar	14.90	14.82	14.99	14.83
Apr	14.91	14.84	14.95	14.85
May	14.92	14.88	14.95	14.85
Jun	14.89	14.88	14.98	14.85
Jul	14.93	14.90	14.98	14.93
Sep	14.95	14.94	15.00	14.89

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	4790	4779	4930	4760
Jan	4770	4747	4815	4730
Feb	4710	4670	4750	4660
Apr	4307	4260	4360	4260
May	4200	4145	4245	4181
Jun	4170	4085	4180	4120
Sep	4290	4200	4293	4290

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1430	1437	1430	1400
Mar	1476	1486	1484	1445
May	1479	1485	1486	1448
Jul	1485	1489	1486	1457
Sep	1493	1495	1482	1478
Dec	1506	1503	1507	1480
Mar	1531	1528	1500	1500

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	124.92	123.60	124.95	123.95
Mar	123.77	123.05	124.10	123.20
May	122.80	122.91	123.40	122.50
Jul	122.35	122.15	122.40	122.00
Sep	121.25	120.95	122.00	121.25
Dec	120.50	120.61	0	0
Mar	119.75	119.38	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	10.11	10.15	0	0
Mar	11.07	11.30	11.27	11.00
May	10.73	10.94	10.85	10.66
Jul	10.48	10.71	10.62	10.45
Oct	10.27	10.55	10.47	10.26
Jan	9.01	9.17	0	0
Mar	10.10	10.29	10.15	10.10

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	57.45	56.40	57.50	56.44
Mar	56.46	55.94	56.50	55.95
May	56.65	56.07	56.69	56.10
Jul	56.60	56.00	56.60	56.15
Oct	56.50	56.00	56.50	56.25
Dec	56.75	56.20	56.75	56.20

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	166.00	165.70	166.50	163.50
Mar	164.40	164.80	164.80	163.20
May	164.50	166.35	165.00	163.50
Jul	165.40	165.65	165.60	163.65
Sep	164.50	163.60	164.50	163.00
Nov	160.25	160.50	0	0
Jan	157.35	157.25	0	0
Mar	157.35	157.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 29	Nov 28	mnth ago	yr ago
1863.0	1880.8	1878.8	1704.3

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	135.66	136.23	133.45	132.30
Futures	139.12	139.03	137.90	134.84

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	763/6	753/6	764/4	751/0
Mar	775/4	765/4	776/4	762/4
May	779/4	770/4	781/0	767/0
Jul	779/2	770/0	780/0	766/4
Aug	765/4	759/0	766/0	757/0
Sep	712/0	714/0	716/0	709/4
Nov	681/0	686/2	686/0	677/0
Jan	690/0	692/0	693/4	687/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	21.72	21.22	21.75	21.25
Jan	22.00	21.59	22.05	21.54
Mar	22.60	22.15	22.65	22.11
May	23.17	22.66	23.25	22.62
Jul	23.70	23.10	23.70	23.15
Aug	23.75	23.15	23.75	23.40
Sep	23.80	23.30	23.80	23.40
Oct	23.80	23.37	23.80	23.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	248.2	243.1	248.5	241.8
Jan	249.0	244.6	249.2	243.2
Mar	248.7	244.2	249.0	242.5
May	245.7	240.7	246.0	239.0
Jul	241.0	237.0	241.0	235.0
Aug	233.0	230.7	233.0	229.0
Sep	224.5	221.0	225.0	218.5
Oct	211.0	208.0	211.0	207.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	261/2	256/6	261/4	256/6
Mar	270/4	267/0	270/6	266/4
May	274/4	272/2	274/4	271/4
Jul	276/0	274/2	276/0	274/0
Sep	260/2	258/4	260/6	258/4
Dec	255/2	253/4	255/4	253/4
Mar	260/4	258/4	260/4	260/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	424/6	423/4	425/0	421/2
Mar	427/4	427/0	427/6	423/4
May	412/4	413/0	413/0	409/4
Jul	382/2	382/2	383/0	378/0
Sep	386/4	386/0	386/4	386/0
Dec	396/0	396/0	396/4	393/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.32	73.10	73.07	72.17
Feb	72.62	73.10	73.15	72.25
Apr	73.70	74.17	74.35	73.60
Jun	72.20	72.50	72.60	72.02
Aug	70.10	70.47	70.60	69.92
Sep	69.80	69.80	0	69.70
Oct	69.00	63.37	69.55	68.90
Dec	72.00	0	72.30	72.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	39.82	39.47	39.95	39.28
Feb	43.77	43.40	43.90	42.95
Apr	42.90	42.65	42.95	42.30
Jun	47.05	46.62	47.20	46.40
Jul	47.25	47.00	47.37	46.75
Aug	46.57	46.25	46.70	46.10
Oct	43.55	43.30	43.55	43.55
Dec	44.25	44.60	0	44.25

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.52	43.05	44.65	42.60
Mar	45.25	43.62	45.35	43.35
May	47.02	45.35	47.05	44.95
Jul	47.87	46.45	48.05	46.20
Aug	46.50	45.07	46.60	46.05

LONDON STOCK EXCHANGE

Share prices extend their recovery

THE DETERMINED defence of his interest rate strategy by Mr Nigel Lawson, the UK Chancellor of the Exchequer, did not discourage a renewed technical rally in UK equities yesterday. Despite another gain by the pound, share prices opened higher, featured by a further recovery in property shares which have suffered in the wake of the rise in UK base rates to 13 per cent.

However, special factors played a significant role in the equity market's performance and prices closed below their best levels. Trading in the FT-SE options contract just ahead of the expiration of the current contract in late morning influenced the underlying equity market, actually taking the FT-SE Index briefly above 1800.

The second half of the session saw share prices slipping back from their best levels. Two fairly modest sell programmes were identified in the marketplace, falling largely on the financial share sectors.

The advance in property shares also owed something to technical factors. The sector fell sharply on Friday but has attracted significant takeover interest in the wake of the £1.3bn bid for Hammerson from Rodamco of Holland.

The FT-SE index closed a net 5.5 points higher at 1792.4 leaving analysts to debate the solidity of the recovery staged since last week's shakeout. Seaq volume of 444.8m shares, against 408.4m on Tuesday, was believed to include a substantial proportion of intermarketmaker trade.

London was helped at the close by a steady trend on Wall Street in early deals, and by comments from the Federal Reserve Board on slower growth in the US economy. The next two days bring a lengthy list of data on the US economy, featured by Friday's announcement of the latest employment trends.

At least one trading house with close US connections was telling clients yesterday that the bear run on Wall Street might be nearly over, despite fears of a hike in the Federal discount rate.

There were further signs of discomfort among London's equity trading community. Shearson Lehman Hutton's London marketmaking arm signalled disapproval of market tactics at rival houses by quoting Rank Organisation shares without any spread between buy and sell prices. This house claims that the UK market system "did not work" during Friday's sudden setback when the authorities were obliged to announce "fast market conditions" on two occasions when traders claimed inability to change screen prices fast enough.

In an unrelated incident, the Stock Exchange imposed heavy fines on two unnamed marketmakers for "late reporting" of share deals, an omission which can mislead other traders and create a false market.

Account Dealing Dates

*First Dealings:	Nov 14	Nov 28	Dec 12
Option Declarations:	Nov 24	Dec 8	Dec 22
Last Dealings:	Nov 25	Dec 9	Dec 23
Account Day:	Dec 5	Dec 19	Jan 9

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov. 30	Nov. 29	Nov. 28	Nov. 25	Nov. 24	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.03	86.86	86.98	87.48	88.00	89.85	91.43 (18/4)	86.28 (12/8)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.19	97.31	97.24	96.97	97.00	95.38	98.87 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1458.0	1455.4	1452.9	1462.6	1493.7	1266.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	178.4	181.1	178.4	175.7	173.3	341.3	312.5 (7/1)	152.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.89	4.90	4.90	4.87	4.75	4.69				
Earning Yld %(full)	12.30	12.33	12.30	12.20	11.94	12.10				
P/E Ratio(Net)(*)	9.84	9.82	9.85	9.93	10.14	10.10				
SEAQ Bargains(5pm)	21,642	21,928	24,089	32,373	25,289	20,499				
Equity Turnover(£m)†	-	836.02	850.34	1361.08	1176.41	1009.27				
Equity Bargains†	-	22,617	24,443	31,731	27,421	23,578				
Shares Traded (ml)†	-	355.1	360.0	677.1	496.8	426.0				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1461.1	1461.1	1462.9	1462.7	1462.8	1463.1	1463.2	1460.2

DAY'S HIGH 1464.5 DAY'S LOW 1458.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil 9.80 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Nov. 29	Nov. 28
Gilt Edged Bargains	110.2	115.1
Equity Bargains	146.5	158.4
Equity Value	1680.8	1718.8
5-Day average		
Gilt Edged Bargains	108.7	105.2
Equity Bargains	169.7	172.0
Equity Value	2189.8	2360.5

London Report and latest Share Index: Tel. 0898 123001

Cable moves on Rentals

Cable & Wireless (C & W), the telecommunications group, provided one of the day's major developments by launching a market raid on Telephone Rentals (TR) just one week before its £319m offer for TR closes.

The raid, operated by Cazenove, brokers to C & W, netted some 23m TR shares, taking the C & W stake from just over 2 per cent to 23.5 per cent. Following this move, the market believes that the bid contest could be as good as over – "Cazenove found little difficulty in picking up the 23m odd shares in the market and they need only a further 22 per cent to win control," one dealer said.

C & W launched its original 305p a share offer for the telephone group two months ago, but later increased it to 340p. TR, after moving up to the bid price yesterday, slipped back to end 7 higher at 336p with turnover at a massive 50m.

Sir Charles Ball, chairman of TR, continues to urge rejection of the bid. C & W shares received a significant boost from details of the sale of a 4 per cent stake in Hong Kong Telecom, closing at 371p, a gain of 9 on turnover of 1.8m.

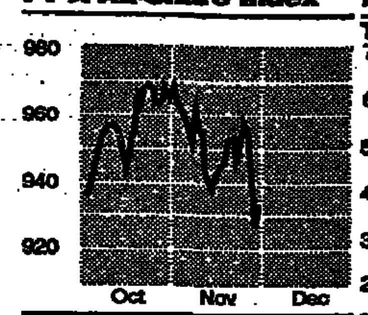
Fisons debate

Fisons fell 4 to 231p in turnover of 1.9m. The analysts at Robert Fleming have recently undertaken a major study of the pharmaceutical company and have been reiterating their judgment that the risk profile on the shares is too high for comfort, despite their observation that, "the shares are not grossly over-valued".

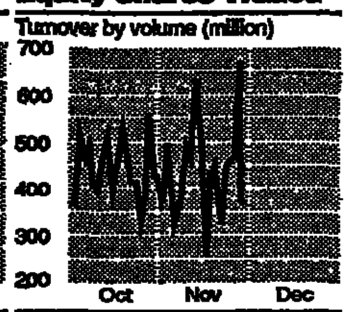
In a series of presentations to institutional clients around the UK, Mr Steve Plag and Mr Jonathon de Pass have argued that in addition to documented worries about the aerosol form of Fisons' drug Pentamidine, there are concerns that sales of the drug Intal, used for the treatment of asthma sufferers, will be adversely affected once an important US patent runs out next year.

There are also serious worries about Tilade, a key respiratory drug in Fisons' development programme. The combination of worries is enough to persuade the analysts to rate Fisons a 'sell into strength' at a time when several other houses remain buyers of the shares on the grounds that aerosol Pentamidine is expected to receive US approval before the New Year. Full details of the Fleming study will be published in a few weeks' time.

FT-A All-Share Index



Equity Shares Traded



Lonrho theatre

Lonrho accepted a more subdued role yesterday, although the element of theatre was maintained. An eager early audience was ready for another compelling act in the drama, but hopes were dashed when Messrs Bond and Rowland chose to wait in the wings. Either could have increased their respective shareholdings, but if they did so the business was conducted quietly.

Smith New Court, the house associated with previous Bond purchases, bought stock yesterday without being an aggressive bidder. Another broking house seemed to lose interest after acquiring sizeable numbers of shares early on and patrons departed no nearer to solving the conundrum.

"The mystery continues" says Mr Jeff Ware in County NatWest WoodMac's latest summation. "The planned disposal (referring to Monday's sale of Lonrho's wine and spirits interests) highlights further the value of the companies within the group. The question is how this value will be unlocked." Lonrho shares rose to 390p before backtracking to end just 3 up on the day at 385p.

Assets exchanged

The exchange of assets between building products and suppliers Norcros and Meyer International drew approval from the City with share prices of both groups strongly supported.

Norcros jumped 10 to 334p and Meyer International, which lost out recently in the battle to win control of Travis and Arnold, added 11 at 385p. Norcros is selling the UBM business, acquired in 1985 and now valued at £125m, to Meyer in exchange for Meyer's Crosby division which manufactures doors, windows and kitchens and a cash payment of £54m.

Properties were the forerunner in the early general advance, claiming considerable interest from both institutional and speculative buyers which soon uncovered stock shortages. Combined hopes of an imminent property revaluation, a higher bid from Rodamco or even the emergence of a "white knight" sent Hammerson issues rolling with the "A" closing 14 up at 898p, after a session's high of 910p.

Other potential takeover candidates made strong advances, with Imry Merchant gaining 17 to 445p amid revived suggestions of a management buy-out. Great Portland, still market favourite for the next bid, jumped 7 more to 394p, after 402p, while Greycoat rose 11 to 435p and Randsworth 10 to 218p.

The leaders also progressed. Awaiting today's preliminary statement, MEPC moved up to 569p; Hoare Govett forecasts profits of £103m compared with £80.2m. A property revaluation is also expected and could reveal a new NAV figure of between 670p and 710p.

Impressive annual results lifted Hardanger 20 to 700p – a substantial premium on the latest NAV of 426p – while Speyhawk, chosen jointly with the Alton group to develop a West Midlands urban regeneration site, put on 5 to 305p.

The oil and gas sector put on a dispirited performance, with continuing worries that the recent OPEC agreement on output quotas and pricing may not be able to stick. But crude oil prices held up well, and were little changed towards the close of business in London.

The only major turnover, 8.2m shares, came in British Gas, a poor performer in recent weeks, but there was little movement in the share price which closed unaltered at 157p.

A fresh spate of "buy" recommendations gave a further boost to a buoyant banks sector. Morgan Grenfell, in its latest Financial Monthly publication, advises clients to buy Lloyds and NatWest among the clearers. Kleinwort Benson "continues to believe that the time is correct for adopting an overweight stance – fundamentals are attractive". Kleinwort favours Barclays, Lloyds, TSB and, "on yield grounds", Standard Chartered.

Lloyds moved up 4 to 331p and Barclays and NatWest 3 apiece to 421p and 544p respectively. Royal Bank of Scotland slipped 2 to 365p with dealers on the alert for any developments other than the preliminary results which are expected early today.

Life assurers crept better, but dealers said there was little in the way of business in the sector, apart from Abbey Life's participation in the afternoon programme trade. Pearl jumped 4 to 409p with the market full of stories that Larry Adler's FAI Group had moved back in to the market to increase its 11 per cent stake. The shares were also boosted by a "buy" note issued by Robert Fleming.

Scottish & Newcastle rose 5 to 399p as a bear squeeze took hold, while Bass was lightly supported ahead of its figures next Wednesday and rose 6 to 784p. Grand Metropolitan climbed 5 to 451p on talk that the Pillsbury bid might be nearing fruition.

The Building sector moved up strongly at first, "very squeezy" traders said, but later came back on minor selling pressure. George Wimpey made further progress, jumping to 253p at one point before ending the day a net 4½ higher at 247p as speculators revived the old story the the Grove Charity Trust 35 per cent stake in Wimpey may well be up for sale at the right price; turnover in Wimpey was 1.7m.

Empire Stores rose 7 to 219p in a market which dealers described as squeezy. Storehouse fell another 3 to 212p in reduced turnover of 4.1m shares. The market is waiting for news following the very high level of turnover in recent sessions and a few investors have been tempted into taking profits.

Glamar Group, the Marks and Spencer supplier depressed after poor results last week, recovered amid talk that its performance has made it vulnerable to takeover. The shares rose 4 to 70p.

Turnover in the electronics leaders was much lighter. Some 5.1m Plessey changed hands, but the shares ended the session only a fraction easier at 209p amid worries over the possible referral of the GEC/Siemens bid for the company.

Amstrad, with 3.1m traded, picked up 2 to 154p – "due for a bounce," dealers said – while keen buying of the ADR's lifted Racal Telecoms to 160p.

Ferranti shaded 1¼ to 96p as dealers adjusted their books ahead of today's interim figures. BSR crept higher with the shares finally 2¼ up at 64½p – "plenty of buying via the inter-broker dealer screens, it looks as though something interesting could be about to happen," said one dealer. The agreed £11.6m bid from Irish Wire saw Questel shares soar to 243p before settling a net 30 up at 235p.

Eurotunnel, which has been popular recently, particularly among French buyers, fell 17 to 448p as the market absorbed a progress report from the board meeting in Brussels.

The meeting expressed concern with the state of preparedness of the contractors for the development of the project next year. Although progress on the service tunnels has improved, the overall message was that there is still a need for further improvement if lost time is to be recovered.

Ransomes Sims and Jefferies rose 18 to 376p on news that Birmid Qualcast had raised its holding to 9.23 per cent.

Vosper Thornycroft fell 4 to 197p on lower interim results – its first half year figures since returning to the market earlier this year. The six-months pre-tax profit was £4.3m compared with £7.9m in the same period a year ago.

In the Foods sector, Kwik-save reported good results and rose 3 to 360p.

Siebe shares fell 5 to 376p on news that the company has been given permission by the German Federal Cartel office to proceed with the acquisition of Gestra. Siebe wants to buy a 76 per cent stake at £15.7m.

Ladbroke remained a weak market as talk that an announcement is imminent refused to go away. The shares fell 4 to 432p. Mount Charlotte lost momentum at 158p in reduced turnover. On Tuesday 3.4m shares were traded and there is persistent speculation that a takeover bid may not be far away.

Courtaulds' was one of few non-beneficiaries of the wider market improvement. The shares suffered as institutional and other investors continued to lighten their holdings, heeding analysts' concerns over the medium term outlook for the group. The sales pushed the price down gradually to a fresh 1988 low point of 257p, for a day's fall of 3¼, after turnover of 3.1m shares.

Activity in traded options reached the modest total of 33,397 contracts, but was dominated by trading in the FT-SE 100 index contract, which accounted for almost half the overall turnover,

British Steel issue

Despite the continuing recovery in the equity market, traders sounded increasingly nervous on prospects for the British Steel issue, which will commence trading on Monday afternoon following Friday's deadline for share applications. No "grey market" is permitted in the issue, so market forecasts continue to centre around the IG Index quotation, which invites customers to estimate the closing price on Monday of the 60p partly-paid shares. This opened lower yesterday at 65p-68p, from 66p-69p overnight, later steadying to 65½p-68p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	1,900	434	+1	GUS A	51	£18¾	+¼	P & O	466	559	+4	Tate & Lyle	229	840	-3
Boots	1,400	219	+1	GRE	426	179		Pilkington	1,680	216½	+2½	Tesco	1,600	135	+1½
British Airways	1,400	156	+½	GKN	569	313		Plessey	5,100	209	-½	THORN EMI	866	645	+1
Brit. Aerospace	944	439	+1½	Guinness	2,000	329		Prudential	2,000	148	+½	Trafalgar House	1,408	313	+1
Brit. & Comm.	356	226	-3	Hammerson 'A'	947	898	+14	Racal	3,600	263	+3	Trusthouse Forte	1,715	260½	
British Gas	8,200	157		Hanson	7,400	155½	+½	Rank Org.	1,008	692	-8	Ultramar	1,800	253	+2
British Land	585	364	+5	Harrisons & Cros.	181	665		RMC	125	499	+5	Unilever	1,180	444	+2
BP	2,650	265½	+½	Hawker Siddeley	564	525	-1	RHM	395	354	+2	United Biscuits	695	286½	+2½
British Telecom	2,900	255	+2	Hillsdown Hldgs.	511	260	+1	Reckitt & Colman	336	909	-1	Utd. Newspapers	159	395	+1
Burmah Oil	375	580	+1	IMI	868	195	+1	Redland	127	412	-½	Wellcome	680	431	-4
Burton	3,200	181		Imp. Chem.	1,180	976	+2	Reed International	1,000	385	+1	Whitbread 'A'	372	288	+2
Cable & Wireless	1,700	371	+9	Inchcape	395	210		Reuters 'B'	373	464	+6	Williams Hldgs.	3,300	246	+8
Cadbury Schweppes	3,500	339		Jaguar	388	263	-2	RTZ	399	456	-2	Wimpey	1,700	247	+4½
Coats Viyella	1,300	159	-3					Rolls Royce	2,294	131	+1½	Woolworth Hldgs.	496	255	+1

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (22). BANKS (1) TSB Channel Islands, BREWERS (1) Highland Dists., ENGINEERING (3) Booth Inds., Ransomes Sims, INDUSTRIALS (6) Darby Grp., Eleco, Hanson, Hills Ergonom, ISA Int'l., Record Hldgs., Serco Grp., Swallowfield, LEISURE (1) Fairline Boats, MOTORS (3) BTS, Plaxton, Trimoco 11½pc Ln. '98, NEWSPAPERS (1) Gardner D.C., PROPERTY (4) Frogmore Est., Hammerson 'A', Randsworth Tst., Scot. Metrop., TRUSTS (1) Gandover Inv.

NEW LOWS (81). AMERICANS (1) Allegheny & W., CANADIANS (4) Augmitto Exp., Corona Corp., Danbus Res., Madeleine Mines, BUILDINGS (2) Bryant Grp., Ward Hldgs., CHEMICALS (1) Engelhard, STORES (2) Ritz Design Grp., Summer Int'l., ELECTRICALS (2) Sherwood Comp., Wats. Select, FOODS (1) Brewmaker, INDUSTRIALS (6) Keep Tst., Kleen-E-Ze Hldgs., Parkfield Grp., S.E.P. Ind. Hldgs., Tangyis, MOTORS (1) Spice, NEWSPAPERS (1) Quarto Grp., PAPERS (2) Hunterprint, Osborne & Little, SHIPPING (1) Lon. & O'Seas Frgs. 'B' Pfd., TEXTILES (3) Courtaulds, Text'd. Jrsy., TRUSTS (3) TR Tech., Biotechnology Invs., Siam Fund, OILS (1) Southwest Res., MINES (1) ERGO, THIRD MARKET (1) Feltrim Mining.

APPOINTMENTS

Beazer deputy chairman

Mr John Matthews is to become deputy chairman and deputy chief executive of BEAZER, the building and aggregates group, *writes Philip Coggan.*

Mr Matthews was already a non-executive director of Beazer since he had been financial adviser to the group for the past nine years in his capacity as a director of the merchant bank, County NatWest.

The post at Beazer will involve Mr Matthews stepping down from his executive duties at County, though he will remain as a non-executive director.

Mr Matthews said he had been in merchant banking for 20 years and welcomed the challenge of a new job. He would be advising the group on strategy and finance.

Also joining the Beazer board are Mr Roy Turner, the chief financial offer of the US building materials division and Mr Michael Whittles, who has been Beazer's stockbroker for many years.

Mr John Matthews

■ Mr David J. Heaton has been appointed finance director of NOBLE RAREDON. He was finance director of Sintrom. Mrs K.M. Brass has resigned.

■ UNITED ENGINEERING STEELS has appointed Mr Roy Pelham as managing director of Chesterfield Cylinders from January 2. He is operations director of Norgren Martonair, part of the IMI Group.

■ Mr Stephen L. Kalman, senior executive of the development arm, has been appointed to the main board of THE BRITISH LAND COMPANY.

■ Mr Ken Crago has been appointed chairman of P.J. HARE, Bristol. He was managing director of Edwards Pearson and now runs his own management consultancy.

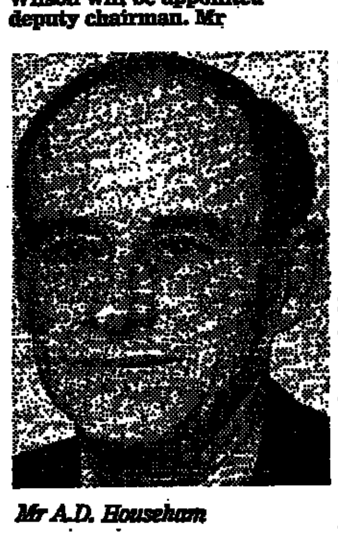
■ Mr David A. Hardie, production director of GRAND METROPOLITAN BREWING, takes responsibilioty for beer, wine and spirit production at International Distillers and Vintners. He continues in his present post and as chairman of the production division board. Mr Richard J. Hollinghurst, has been appointed director of brewing, at Mortlake, Brick Lane, Halifax, and Trowbridge. He is production site director at Halifax. Mr Ian Kirkhope becomes director of production services, responsible for logistics planning, bottling and canning production, and primary distribution as managing director of Brewliners. Dr J.P. Murray is made director of research and technical services. He was brewing services director for the Brewing Research Foundation at Nutfield, Surrey. Dr Keith Tarbuck has been appointed IDV technical advisor.

■ CATER ALLEN has appointed Mr E.R.R. Jewson as a director with responsibility for the commercial paper business. He was assistant to the directors, and is succeeded by Mr M.J. Peters, who was a manager.

■ Sir Fred Pontin has stepped down as chairman of PONTI'S and been succeeded by Mr Derek Edwards, who was manager of Barclays Prime business centre. Sir Fred, who is recovering from a major operation, remains on the board and has retained his 20 per cent interest in the company. Ponti's plans a flotation on the USM next year.

Top posts at Gallaher

Mr A.D. Househam will be appointed chairman and chief executive of GALLAHER from February 1 when Mr S.G. Cameron retires. Mr P.M. Wilson will be appointed deputy chairman. Mr Househam is deputy chairman (non-tobacco). He has been chief executive of many of the subsidiary companies, and joined the main board in 1981. Mr Wilson is deputy chairman (tobacco) and will continue as chairman and chief executive of Gallaher Tobacco. He joined the main board in 1986. Mr Househam will also join the board and executive committee of American Brands Inc., Gallaher's parent company.



Mr A.D. Househam

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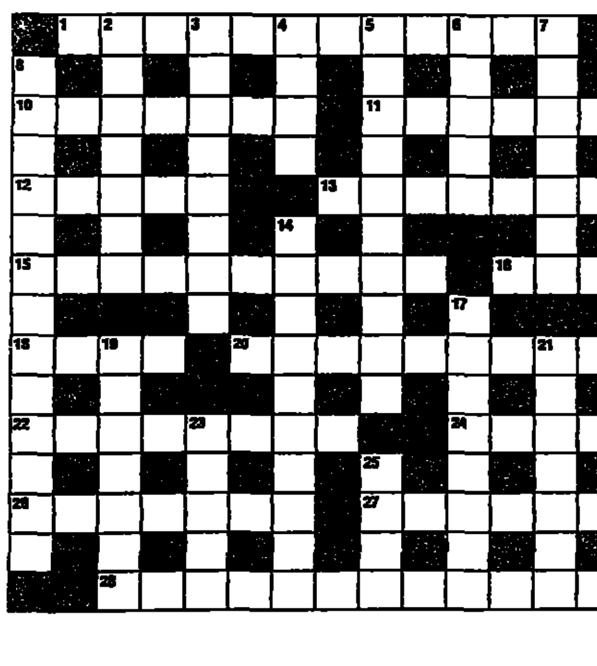
AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,800 Set by CINEPHILE



ACROSS

1 Spoil French invalid before punishment by beast from Seville? (9,3)
10 Cue (for example) in trouble relating to breeding (7)
11 Pictorial superimposition on label kept by compiler (7)
12 Worker overhead again set fire to back (5)
13 Bit of mast, but hence fruit is included (5,3)
15, 16 Turn Hitler off hotel out of devilment (3,3,4,2,2)
18 Boat on river astern (4)
20 Sort of vault – to bowl long-hops? (10)
22 Twenty cows wildly rushed about (8)
24 Scouts, maybe, to do with colour? (5)
26 Put-up job for such a marvellous newspaperman? (4-3)
27 Love travels, maybe from Seville (7)
28 Sum up peculiar Tate exhibition (12)

DOWN

2 An unfinished sea bird on a river with sharp bends? (7)
3 Rule of one compiler's about backing no part of bridge (8)
4 Draws have it: look to northern audience (4)
5 Demand changed situations: statistics are still worse (6,4)
6 Hard-bitten person might be followed by 'ammerer, one might say (5)
7, 21 Does it run on imaginary lines? (5,2,7)
8 (4) Pessimistic good wish for national cream? (4,2,7)
9 Turn where the sign is, having started badly (4,2,3,4)
14 Clue for cup, possibly: a little billiards? (1,7,2)
17 See dance, not plain at billiards (4,4)
19, 21 Grub out anything worthy of a Muse? (4,3,7)
23, 25 Volume portraying young beast in charge of politician (5,4)

Solution to Puzzle No.6,799

DISSUADE BRACED
E I N E O H R
CAMISOLE PANAMA
I J U I S P I
DIATRIBE STOLEN
E N E E E I A A
PREVENTING
S P M A E G N E
PERSISTENT
E E S E I P U R
COLDER ENTRANCE
I A R G A B C
FITTER NOMINATE
I E R U S R S
COSSET STRESSES

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

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OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assurance Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co Ltd

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

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OFFSHORE INSURANCES

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102½	99⅝	Treas 11¼pc 1989	99½	+⅛	11.55	12.86
101⅛	98	Treas 9½pc Cnv 1989	98¾	.....	9.61	12.59
97¾	95¼	Treas 3pc 1989	96½	+⅛	3.10	10.55
102⅛	99⅛	Treas 10½pc 1989	99⅛xd	+⅛	10.60	12.38
102	98¼	Exch. 10pc 1989	98½	+⅛	10.16	12.46
103½	98¾	Exch 11pc 1989	99⅛	+⅛	11.11	12.26
97½	94⅝	Treas 5pc 1986-89	95¼	+¼	5.25	10.81
104½	98	Exch 10¼pcCv '89	98¾	-⅛	10.39	11.73
107½	101¼	Treas 13pc 1990‡‡	101⅛	+⅛	12.84	11.66
104¼	99¼	Exch 11pc 1990‡‡	99⅛	+⅛	11.08	11.61
107⅛	100	Exch. 12½pc 1990	100	+⅛	12.38	11.68
93¾	90⅛	Treas. 3pc 1990	90	+⅛	3.30	10.05
99¾	95⅛	Treas 8¼pc 1987-90‡‡	95⅛xd	+¼	8.63	11.50
102¼	95¼	Treas. 8pc Cv 1990‡‡	97	+¼	8.26	10.12
103⅛	97¼	Treas. 10pcCv 1990	97½	+⅛	10.26	11.49
91½	87	Exch 2½pc 1990	87½	-⅛	2.85	9.52
107¼	100⅛	Treas. 11¾pc 1991	100½	+⅛	11.69	11.45
95½	89	Funding 5¾pc '87-91‡‡	89½	+¼	6.39	10.72
90	86	Treas. 3pc 1991	86¼	+⅛	3.48	9.46
105	98⅛	Treas 10pc Cv '91‡‡	98½	+⅛	10.15	10.64
107¼	99	Exch. 11pc 1991	99⅛	.....	11.06	11.21
96	91	Treas. 8pc 1991	92xd	+⅛	8.70	11.20
115¾	104⅛	Treas 12¾pc 1992‡‡	104	+⅛	12.21	11.02
104	97¼	Treas 10pc 1992	97⅛	+⅛	10.29	11.02
98⅛	91⅛	Treas. 8pc 1992‡‡	91	+⅛	8.72	11.00
106¼	98⅛	Treas 10½pc Cv 1992‡‡	98¼	+⅛	10.65	11.00
86⅛	82½	Treas. 3pc 1992	82½xd	-⅛	3.64	8.88
112	103¼	Exch. 12¼pc '92	103½	+⅛	11.83	11.03
117	107	Exch 13½pc 1992	107¾	+⅛	12.55	11.00
97⅛	91⅛	Treas 8¼pc 1993	91	+¼	9.03	10.85
105⅛	97⅛	Treas 10pc 1993‡‡	97⅛	+⅛	10.26	10.72
115	105	Treas 12½pc 1993‡‡	106⅛	+⅛	11.80	10.80
93⅛	85⅛	Funding 6pc 1993‡‡	85	+⅛	7.00	9.79
121⅛	110	Treas 13¾pc 1993‡‡	111	+⅛	12.39	10.84
		Five to Fifteen Years				
101	90	Treas. 8½pc 1994	91⅛	+⅛	9.34	10.79
94	90	Treas 8½pc 1994 A	91	+⅛	9.34	10.82
125¼	114	Treas 14½pc 1994‡‡	114	+⅛	12.64	10.74
120	110¼	Exch 13½pc 1994	110	+⅛	12.22	10.88
105⅛	97	Treas. 10pc Ln. 1994‡‡	97½xd	+⅛	10.26	10.61
116	106¾	Exch. 12½pc 1994	106¾	.....	10.70	10.85
101⅛	93⅛	Treas 9pc 1994‡‡	93½	.....	9.63	10.51
114	105⅛	Treas 12pc 1995	105	+⅛	11.39	10.77
83½	78	Exch 3pc Gas 90-95	80	.....	3.75	6.91
106¼	98⅛	Exch. 10¼pc 1995	98⅛	+⅛	10.44	10.62
120⅛	110⅛	Treas 12¾pc 1995‡‡	110	+⅛	11.55	10.59
126⅛	116⅛	Treas. 14pc '96	116⅛	.....	12.08	10.74
101⅛	93¼	Treas. 9pc 1992-96‡‡	94	+⅛	9.61	10.25
133⅛	123¼	Treas 15¼pc 1996‡‡	123⅛	+⅛	12.38	10.65
123⅛	113⅝	Exch 13¼pc 1996‡‡	113⅝	.....	11.66	10.55
105¼	97⅛	Conversion 10pc 1996	97⅝	+⅛	10.24	10.44
124⅛	114	Treas 13¼pc 1997‡‡	114	.....	11.55	10.50
108⅛	100⅛	Exch 10½pc 1997	100⅛	.....	10.46	10.41
98⅛	91	Treas 8¾pc 1997‡‡	91⅛	-⅛	9.55	10.22
134	124	Exch 15pc 1997	124	.....	12.01	10.60
104	96⅛	Exch. 9¾pc 1998	96	+⅛	10.09	10.32
87⅛	81⅛	Treas 6¾pc 1995-98‡‡	81	.....	8.28	9.78
140¼	130⅛	Treas. 15½pc '98‡‡	130½	-⅛	11.88	10.45
118⅛	109⅛	Exch. 12pc 1998	110	.....	10.91	10.36
103⅛	95⅛	Treas 9½pc 1999‡‡	96¼	+⅛	9.83	10.02
120⅛	111⅛	Exch. 12¼pc 1999	112	.....	10.94	10.32
109⅛	101⅛	Treas. 10½pc 1999	102	.....	10.29	10.18
107⅛	99	Conversion 10¼pc 1999	100⅛	.....	10.20	10.17
100¼	86	Treas. 8½pc Ln 2000‡‡	90¼	.....	9.41	9.95
99	92¼	Conversion 9pc 2000‡‡	93⅝	+⅛	9.61	9.95
126	117⅛	Treas. 13pc 2000	117	.....	11.02	10.30
106	98	Treas 10pc 2001	100	.....	10.01	9.99
129	120¼	Treas. 14pc '98-01	120⅛	.....	11.62	10.54
104⅛	97	Conversion 9¾pc 2001	98⅛	+⅛	9.91	9.97
118⅛	109⅛	Exch. 12pc '99-02	109	+⅛	10.91	10.37
107¼	99	Conversion 10pc 2002	100⅛	+⅛	9.92	9.89
105⅛	97	Treas 9¾pc 2002	99¼	+⅛	9.84	9.86
99⅛	92	Exch. 9pc 2002	94⅛	+⅛	9.58	9.79
131⅛	122¼	Treas. 13¾pc 2000-03	122	+⅛	11.21	10.35
108	100¼	Treas 10pc 2003	102	+¼	9.80	9.74
		Over Fifteen Years				
117⅛	108	Treas. 11½pc 2001-04	109⅝	+⅛	10.50	10.11
108¼	100	Treas. 10pc 2004	102⅝	.....	9.74	9.66
61	54⅞	Funding 3½pc '99-04	58⅛	-⅛	6.00	8.32
104	97⅛	Conversion 9½pc 2004	99⅛	+⅛	9.57	9.58
104	97⅛	Conversion 9½pc 2005	99¼	+⅛	9.54	9.54
113¼	105	Exch. 10½pc 2005	108⅛	.....	9.72	9.53
128⅛	118	Treas. 12½pc 2003-05	120	.....	10.35	9.82
92⅛	85⅛	Treas. 8pc 2002-06‡‡	88	+⅛	9.10	9.41
106	99	Conversion 9¾pc 2006	102⅞	+⅛	9.49	9.43
121	112	Treas. 11¾pc 2003-07	114	-⅛	10.26	9.81
97⅛	89	Treas 8½pc 2007‡‡	93⅛	+⅛	9.12	9.27
137⅛	127⅛	Treas. 13½pc '04-08	129	+⅛	10.41	9.72
101	94⅛	Treas. 9pc 2008‡‡	98⅛	-⅛	9.18	9.21
92	85	Treas 8pc 2009	89⅛	.....	8.96	9.16
101⅛	93¾	Conv 9pc Ln 2011‡‡	99⅛	-⅛	9.06	9.07
68⅛	62¾	Treas. 5½pc 2008-12‡‡	67⅛	+⅛	8.19	8.82
89¼	82	Treas. 7¾pc 2012-15‡‡	87⅞	+⅛	8.83	8.96
131¼	121⅛	Exch. 12pc '13-'17	129xd	-⅛	9.32	9.07

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
21½	15⅞	Transamerica $1	17¼xd	–⅛	$1.84	–	5.9
20¼	13½	TRINOVA Corp	13⅞	+⅛	64c	–	2.6
19	14⅛	USX $1	14⅞	+⅛	$1.40	–	5.2
140p	44p	Unilab	125p	.....	–	–	5.2
24⅞	17⅝	Utd. Technologies	21¼	+⅜	$1.60	–	4.1
34⅝	26¾	US West‡	31¼	+⅛	$3.52	–	6.3
24⅞	16⅞	Waste Management $1	21⅛	+¼	48c	–	1.2
16⅞	12⅞	Whirlpool $1	13⅝xd	+⅛	$1.10	–	4.5
33⅛	18¾	♦Woolworth $3½	27¼	.....	$1.64	–	3.3

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp ‡	171p	+6	–	–	–
32p	7p	♦Abbot Energy Corp	7p	.....	–	–	–
14¼	916p	♦Amer. Barrick Res	923p	–30	–	–	–
10p	2⅓p	American Lightwave	3½p	.....	–	–	–
47p	7½p	♦Armeno	14p	.....	–	–	–
76p	36p	Augmitto Explo	36p	–4	–	–	–
14⅝	10⅝	Bk. Montreal ‡	12¼	+⅛	$2.00	–	7.4
769p	514p	Bk. Nova Scot.‡	661p	+8	76c	–	5.2
18¾	15¼	BCE ‡	17⅛xd	+⅛	$2.44	–	6.4
716p	527p	♦Bow Valley‡	592p	+7	♦40c	–	3.1
13⅝	10½	♦Brascan‡	11¼	.....	88c	–	3.6
328p	179p	♦Breakwater Res	180p	+1	10c	–	2.5
12⅞	801p	Can. Imp Bank‡	11¼	–⅛	$1.16	–	4.7
11½	841p	Can. Pacific ‡	911p	+2	76c	–	3.8
41½	38½	Do. 4pc Deb £100	38½xd	.....	4%	–	10.4
515p	357p	Central Capital "A" ‡	382p	+8	–	–	–
485p	365p	♦Corona Corp	365p	–4	–	–	–
886p	250p	Cons. TVX Min	251p	+1	–	–	–
371p	41p	Dasbus Res	41p	–16	–	–	–
686p	430p	Derlan Inds	484p	–4	11.75c	–	1.1
14¼	806p	♦Echo Bay Mines	814p	+8	$0.07	–	0.4
40p	11½p	Energex Minerals	16½p	.....	–	–	–
125p	83p	Euro-Asia Capital Ltd	91p	.....	–	–	–
386p	222p	♦Galactic Resources	262p	+1	–	–	–
423p	297p	Gandalf Techs. Inc	301p	–1	–	–	–
125p	51p	♦Geodome Res	68p	+11	–	–	–
394p	161p	Granges Expln‡	175p	+14	–	–	–
17p	4½p	♦Gt. Pacific Res	5½p	.....	–	–	–
903p	576p	♦Gulf Canada‡	684p	+2	52c	–	3.9
12⅞	816p	♦Hawker Sid Can‡	948p	+2	$1.08	–	5.6
590p	344p	Henlys Group	501p	+25	–	–	–
10	785p	♦Hudson's Bay ‡	968p	+19	60c	–	2.8
28	20¼	♦Imperial Oil‡	21⅞	–⅛	$1.80	–	3.7
20⅞	10⅛	Inco‡	16⅞	.....	US$0.80	–	2.6
718p	462p	♦Inland Nat. Gas $1	558p	+2	60c	–	4.9
250p	130p	Madeleine Mines	130p	–2	–	–	–
207p	126p	♦Muscocho Expln	187p	+1	–	–	–
187p	50p	♦Ntnl Business Syst.‡	57p	.....	–	–	–
245p	110p	♦Nevada Goldfields	125p	.....	–	–	–
12	787p	♦Rio Algom	980p	+4	$1.30	–	6.0
17⅞	11½	Royal Bk. Can. ‡	16½	+¼	$2.08	–	5.7
35¼	26⅝	Seagram‡	31	.....	US$1.20	–	2.1
361p	111p	♦Sonora Gold Corp‡	116p	.....	–	–	–
121p	18p	Spiral Eng	46p	+1	–	–	–
150p	35p	Tarn Pure Tech. Corp. ‡	86p	.....	–	–	–
18⅞	11⅞	Toronto-Dom. Bk.‡	16¼	.....	$1.12	–	3.1
684p	566p	♦Trans Can Pipe	638p	+24	68c	–	4.9
205p	127p	Varity Corp‡	150p	–2	B–	–	–

BANKS, HP & LEASING

1988 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*259	124	ANZ $A1	255	.....	Q34½c	♦	6.8	♦
*271	180	Allied Irish	237xd	–1	F472.9%	3.1	6.4	8.1
£13¼	£10⅞	Algemene Fl.10	£11⅛	+⅛	Q27%	1.9	6.7	–
73	58	Anglo Irish	65xd	–3	Q19.69%	♦	6.3	♦
90	64	Ansbacher (H.) 1p	82	.....	2.0	–	3.3	–
£40½	£24⅝	Banco Bilbao Viz	£40	.....	Q67.2%	3.1	4.1	7.7
£35¼	£27¼	Banco de Santander	£30¼	.....	Q22%	2.4	1.7	23.9
*272	184	Bank Ireland Ir£1	236	.....	Q15.67%	3.3	5.6	7.3

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

For Video Tape Recording see Leisure.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ♥ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	70	....
Craig & Rose £1.. γ	710xd	....
Finlay Pkg. 5p.... γ	85	....
Holt (Jos) 25p.... γ	£11¼	+¼

IRISH

Exp. 8½% Ln. 1991...	£99¾	....
9pc Cap Ln. 1996..	£103¼	....
Fin. 13% 97/02....	£124¼	....

Arnotts.............. γ	375	....
Carrol (P.J.)........ γ	152	....
Grafton Grp.......... γ	145	....
Hall (R. & H.).......	155	....
Heiton Hldgs......... γ	57	....
Irish Ropes.......... γ	165	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound rises above DM3.21

SELLING OF sterling by the Bank of England was seen again in London yesterday, but it failed to prevent the pound rising to its highest level against the D-Mark since mid-August.

Sterling rose to DM3.2125 from DM3.2000, with dealers suggesting that the Bank of England's intervention was modest, and seemed aimed at smoothing, rather than halting, the rise.

Further comments on the UK economy by Mr Nigel Lawson, the Chancellor, before a Treasury and Civil Service Select Committee, underlined the Government's priority in fighting inflation, but appeared to add nothing new to policy, and came too late to have any direct impact on the London market.

High UK interest rates, and the Government's commitment to keep rates at such levels until inflationary pressures ease, also pushed the pound up to SFr2.6900 from SFr2.6775; to Y225.50 from Y225.00,; and to FFr10.9775 from FFr10.9250.

Sterling's exchange rate index, on Bank of England figures rose 0.3 to 78.3.

The dollar was also strong, resulting in a fall of 20 points to $1.8505 in the pound's value against the US currency.

The dollar began to fall back in late trading however, after the Federal Reserve suggested the pace of economic growth is slowing. This acted as a dampening influence on speculation that the Fed is about to increase its discount rate.

Friday's figures on November US employment trends will be looked at for further guidance on whether the dollar continues on its upward path.

The market expects an unchanged unemployment rate of 5.3 p.c., and the median forecast for the rise in non-farm payrolls is around 250,000, compared with 323,000 in October.

If the employment figures remain strong it will support the dollar, by renewing speculation about a rise in the discount rate, but a weak figure is likely to result in renewed downward pressure on the currency, according to dealers.

Mr Alan Greenspan, chairman of the Federal Reserve Board, was asked yesterday about a possible rise in the discount rate, but declined to comment.

At the close in London the dollar had advanced to Y121.90 from Y121.45 and to DM1.7360 from DM1.7270. It fell back from the day's peaks however, after failing to break through technical resistance at Y122.20 and DM1.7400.

The dollar also rose to SFr1.4530 from SFr1.4450, and to FFr5.9325 from FFr5.8975.

According to the Bank of England the dollar's exchange rate index rose to 92.6 from 92.3.

The Canadian dollar remained strong, with the US dollar falling to C$1.1885 from C$1.1945. It shrugged off news of a slowdown in Canadian economic growth, and was supported by a fall in the balance of payments deficit to C$2bn in the third quarter, from $2.39bn in the second.

The rate of growth in Canadian gross domestic product was 0.2 p.c. in September, against 0.6 p.c. in August, and the growth rate in the third quarter was an annualised 2.8 p.c., compared with 4.0 p.c. in the second.

£ IN NEW YORK

Nov.30	Latest	Previous Close
£ Spot	1.8415-1.8425	1.8435-1.8445
1 month	0.50-0.49pm	0.54-0.52pm
3 months	1.43-1.41pm	1.60-1.57pm
12 months	4.80-4.70pm	5.52-5.42pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Nov.30	Previous
8.30	am	78.1	77.9
9.00	am	78.1	78.0
10.00	am	78.1	78.0
11.00	am	78.1	78.0
Noon		78.2	77.9
1.00	pm	78.2	77.9
2.00	pm	78.2	77.9
3.00	pm	78.2	77.9
4.00	pm	78.3	78.0

CURRENCY RATES

Nov.30	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.741975	0.647754
U.S Dollar	6.50	1.36746	1.19524
Canadian $	8.75	1.63302	1.41934
Austrian Sch.	4	16.6693	14.6177
Belgian Franc	7¼	49.6730	43.5454
Danish Krone	7½	9.13532	8.00569
Deutsche Mark	3½	2.36940	2.07828
Neth.Guilder	4	2.67407	2.34362

*All SDR rates are for Nov.29

CURRENCY MOVEMENTS

OTHER CURRENCIES

Nov.30	£	$
Mexico	4217.65-4229.85	2284.00-2290.00
N. Zealand	2.8155-2.8205	1.5245-1.5265
Saudi Ar.	6.9270-6.9330	3.7515-3.7525
Singapore	3.5945-3.6020	1.9455-1.9485
S. Af (Cm)	4.2460-4.2570	2.2970-2.3000
S. Af (Fn)	6.7150-6.7755	3.6365-3.6695
Taiwan	51.80-52.05	28.10-28.20
U.A.E.	6.7810-6.7870	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5454	+2.56	+0.79	±1.5344
Danish Krone	7.85212	8.00569	+1.96	+0.19	±1.5404
German D-Mark	2.05853	2.07828	+0.96	-0.81	±1.0981
French Franc	6.90403	7.09970	+2.83	+1.06	±1.3674
Dutch Guilder	2.31943	2.34362	+1.04	-0.73	±1.5012
Irish Punt	0.768411	0.776884	+1.10	-0.67	±1.6684
Italian Lira	1483.58	1536.48	+3.57	+2.49	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8435-1.8510	1.8500-1.8510	0.58-0.55cpm	3.66	1.72-1.67pm	3.66
Canada	2.1915-2.1995	2.1955-2.1965	0.57-0.41cpm	2.68	1.30-1.16pm	2.24
Netherlands	3.60¼-3.63	3.62-3.63	2½-2¼cpm	7.86	6⅝-6½pm	7.24
Belgium	66.95-67.40	67.20-67.30	39-28cpm	5.98	101-87pm	5.59
Denmark	12.33½-12.38	12.37-12.38	6-5orepm	5.33	15¼-14¼pm	4.93
Ireland	1.1960-1.2000	1.1990-1.2000	0.60-0.55cpm	5.75	1.50-1.40pm	4.84
W. Germany	3.20-3.21½	3.21-3.21½	2¼-2⅛pfpm	8.17	6¼-5⅞pm	7.47
Portugal	265.25-266.95	265.90-266.90	13pm-13fredis	-	33-69dis	-0.77
Spain	208.50-209.95	208.90-209.40	53-36cpm	2.55	104-77pm	1.73
Italy	2365¼-2375¼	2374¼-2375¼	3-2lirepm	1.26	8-6pm	1.18
Norway	11.96½-12.00¼	11.99-12.00	1½-½orepm	0.94	2¼-1½pm	0.54
France	10.93¼-10.98¼	10.97¼-10.98¼	4⅝-4⅛cpm	4.92	12⅝-12¼pm	4.51
Sweden	11.11¼-11.15	11.14-11.15	2⅞-2¼orepm	2.62	7½-6⅞pm	2.53
Japan	224¼-226	225-226	1¾-1⅝ypm	8.98	4¾-4½pm	8.20
Austria	22.51-22.61	22.58-22.61	15½-14gropm	7.83	42½-39¼pm	7.23
Switzerland	2.67½-2.69½	2.68½-2.69½	1⅞-1¾cpm	8.09	5⅜-5¼pm	7.99

Belgian rate is convertible francs. Financial franc 67.70-67.80. Six-month forward dollar 3.35-3.30cpm 12 months 5.90-5.80cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8435-1.8510	1.8500-1.8510	0.58-0.55cpm	3.66	1.72-1.67pm	3.66
Ireland†	1.5370-1.5420	1.5370-1.5380	0.38-0.43cdis	-3.16	0.96-1.06dis	-2.63
Canada	1.1860-1.1890	1.1880-1.1890	0.05-0.10cdis	-0.76	0.40-0.44dis	-1.41
Netherlands	1.9530-1.9620	1.9580-1.9590	0.73-0.70cpm	4.38	1.85-1.82pm	3.75
Belgium	36.25-36.45	36.30-36.40	9.00-7.00cpm	2.63	21.00-18.00pm	2.14
Denmark	6.67⅞-6.70⅛	6.68½-6.69	1.15-0.85orepm	1.79	2.30-1.90pm	1.25
W. Germany	1.7315-1.7405	1.7355-1.7365	0.67-0.64pfpm	4.52	1.78-1.74pm	4.05
Portugal	143¾-144	143¾-144	35-55cdis	-3.75	125-175dis	-4.16

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices fall in thin trading

TRADING VOLUME fell away in Liffe trading yesterday, reflecting current uncertainty over the outlook on UK interest rates. Despite sterling's firmer trend, three-month short sterling futures were undermined by a rise in cash rates and concern that bank base rates may be increased again.

The mood of uncertainty was exacerbated after comment's by Mr Nigel Lawson, UK Chancellor, which did little to dispel fears of higher interest rates as part of the Government's commitment to controlling inflation.

Long gilt futures were less affected by the bearish tone, but came off opening highs, to finish unchanged on the day.

US Treasury bond futures closed on a firmer note, with sentiment helped by a report from the US Federal Reserve Board, which suggested that the US economy is not growing as strongly as many analysts think. This relieved upward pressure on cash rates and allowed the December contract to move up to 88-01 from an opening level of 87-31, and compared with 87-26 on Tuesday.

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

NAT.NED. C	Fl. 65	116	1.10	361	2.70	9	3.40	Fl. 62.30
NAT.NED. P	Fl. 65	12	3.80	27	4	-	-	Fl. 62.30
PHILIPS C	Fl. 30	1096	1.50 A	30	2.40	21	2.80	Fl. 30.50
PHILIPS P	Fl. 30	320	1	61	2.20	21	2.60	Fl. 30.50
ROYAL DUTCH C	Fl. 220	206	7.70	-	-	-	-	Fl. 222.90
ROYAL DUTCH P	Fl. 220	81	2.60	38	5.70	23	9.50	Fl. 222.90
ROBECO C	Fl. 100	20	0.50	2	0.70	-	-	Fl. 94.70
ROBECO P	Fl. 95	20	1.50	-	-	-	-	Fl. 94.70
UNILEVER C	Fl. 120	276	1.50	29	4.60	10	6.30	Fl. 113.40
UNILEVER P	Fl. 110	62	1.70	5	3.90	15	6	Fl. 113.40
VAN OMMEREN C	Fl. 35	78	0.50	45	1.30	196	1.40	Fl. 31.70
VAN OMMEREN P	Fl. 30	84	0.50	20	1.20	5	1.90	Fl. 31.70

TOTAL VOLUME IN CONTRACTS : 21,609

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	12	Comm.Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Wllmsn Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc	14	TSB	12
Bank Leumi (UK)	13	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡12.75
Bank Credit & Comm	12	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	12		
Brit Bk of Mid East	12	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13½		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	12	Mount Bnkg Corp.	13		
Citibank NA	12	Nat Bk. of Kuwait	13		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22%. Savewise 8.47%. Top Tier-£10,000+ instant access 11.06% ‡ Mortgage base rate. § Demand deposit 8%. Mortgage 12.375% - 12.75%

MONEY MARKETS

Firmer trend

UK RATES edged up slightly in London yesterday, mainly on technical adjustments ahead of the month end. The key three-month interbank rate was quoted at 13¼-13⅛ p.c. from 13 3/16-13 1/16 p.c. Dealers suggested that roll-over activity in the periods helped rates to maintain the firmer edge already established, after comments by Mr Nigel Lawson, the UK Chancellor, who stressed that bank base rates would be kept at a high level in order to control inflation.

The Bank of England forecast a shortage of around £1,400m, which was later revised to £1,500m and then to £1,450m. Factors affecting the market included repayment of late assistance and a take up of Treasury bills, together with bills maturing in official hands draining £1,050m. Exchequer transactions took out a further £155m, and there was a rise in the note circulation of £150m. In addition, banks brought forward balances £25m below target.

UK clearing bank base lending rate 13 per cent from November 25

To help alleviate the shortage, the Bank offered an early round of assistance, which comprised outright purchases of £34m of eligible bank bills in band 4 at 12⅝ p.c. The Bank also arranged sale and repurchase agreements on £405m of bills at 12 13/16 p.c., unwinding on December 12.

The Bank gave additional assistance in the morning of £431m, through outright purchases of £158m of eligible bank bills in band 1 at 12⅞ p.c. and £42m in band 2 at 12 13/16 p.c. In band 3, it bought £1m of Treasury bills and £22m of eligible bank bills at 12 11/16 p.c., and in band 4, £142m of eligible bank bills at 12⅝ p.c. It also arranged sale and repurchase agreements on £66m of bills at 12 13/16 p.c., unwinding on December 12.

Further help in the afternoon came to £511m, of which £426m was through outright purchases of £5m of Treasury bills and £300m of eligible bank bills in band 1, £73m of eligible bank bills in band 2, £47m in band 3, and £1m in band 4, all at unchanged rates. The balance was made up of sale and repurchase agreements on £85m of bills on the same terms as the earlier agreements. Late help came to £90m, making a total of £1,471m.

Short term interest rates rose sharply in Frankfurt, as commercial banks bid aggressively for funds ahead of the month end. Call money was pushed up to 5.10 p.c., resulting in many banks borrowing funds through the Lombard facility at 5 p.c.

Lombard borrowing on Tuesday totalled DM6.2bn, despite a surprise injection of DM3bn on Monday through a four-day sale and repurchase facility with the Bundesbank.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Broker loan rate	9¾-⅝	Six month	8.48	Seven year	9.07
Fed. funds	8⅝	One year	8.64	10-year	9.12
Fed. funds at intervention	-	Two year	8.91	30-year	9.12

Nov.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.95-5.05	4.95-4.70	4.85-5.00	4.85-5.00	4.90-5.05	5.00
Paris	7 13/16-7 15/16	7⅞-8	8-8⅛	8⅛-8¼	8¼-8⅜	7.25
Zurich	3⅞-4⅛	4⅞-5⅛	-	4⅝-4⅞	-	-
Amsterdam	4.75-4.88	5.25-5.35	-	5.31-5.43	-	-
Tokyo	3.78125	-	-	-	-	-
Milan	10¼-11¼	11¼-12¼	-	11½-12	-	-
Brussels	3.85	7¼-7¾	-	7⅛-7¼	-	-
Dublin	6⅞-7⅛	7½-7¾	7⅝-7⅞	7⅞-8⅛	8¼-8½	-

LONDON MONEY RATES

Nov.30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13¼	13⅛	13⅛	13⅜	13⅜	13⅛
Interbank Bid	12	12¾	12⅞	13⅛	13⅛	12 15/16
Sterling CDs	-	-	12 15/16	13⅛	13⅛	12 15/16
Local Authority Deps.	13	12⅝	12⅞	13⅛	13⅛	13
Local Authority Bonds	-	-	12¾	12½	12⅝	12⅝
Discount Mkt Deps.	13	12 13/16	12⅝	12⅝	-	-
Company Deposits	-	-	12⅞	13¼	13¼	13¼
Finance House Deposits	-	-	12 15/16	13⅛	13⅛	13 1/16
Treasury Bills (Buy)	-	-	12¾	12⅝	-	-
Bank Bills (Buy)	-	-	12 13/16	12 13/16	12⅞	-
Fine Trade Bills (Buy)	-	-	13⅞	13⅞	13⅞	-
Dollar CDs	-	-	8.65-8.60	9.40-9.35	9.40-9.35	9.50-9.45
SDR Linked Dep Offer	-	-	7⅞	7 13/16	7⅞	7⅞
SDR Linked Dep Bid	-	-	7⅝	7⅞	7⅝	7⅝
ECU Linked Dep Offer	-	-	8	8	8	8
ECU Linked Dep Bid	-	-	7⅞	7⅞	7⅞	7⅞

Treasury Bills (sell); one-month 12 13/16 per cent; three months 12⅝ per cent; Bank Bills (sell): one-month 12⅞ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.5769 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November.30, 1988. Agreed rates for period December 26,1988 to January 24, 1989, Scheme I: 13.27 p.c., Schemes II & III: 13.61 p.c. Reference rate for period November 1,1988 to November 30, 1988, Scheme IV&V: 12.251 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5,1988, Deposits withdrawn for cash 5 per cent.

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices November 30

[illegible]

21160 Ranger	$6¼	6⅛	6⅛	
500 Rayrock f	$6½	6½	6½	– ⅛
17163 Redpath	$12⅞	12⅛	12⅛	
57 Rd Stenhs S	$28⅛	28⅛	28⅛	
100 Reitman A f	$15¾	15¾	15¾	– ⅛
17533 Renaissance	$11⅝	11½	11½	– ⅛
80210 Repap f	$10½	10¼	10¼	– ⅜

4200 Weston	$34⅝	34⅝	34⅝	+ ⅛
1002 Woodwd A	445	445	445	+ 10
5300 Xerox Can	$17½	17½	17½	

f—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Nov 29	Nov 28	Nov 25	Nov 23	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2101.53	2081.44	2074.68	2092.28	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.10	89.01	89.05	89.26	91.25 (3/3)	86.12 (4/1)	–	–
Transport	928.98	920.84	907.72	919.48	938.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.45	182.61	182.37	182.67	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2112.73 (2095.48) Low 2072.37 (2062.23)

STANDARD AND POOR'S								
Composite‡	270.90	268.64	267.23	269.00	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	311.96	309.85	307.64	309.45	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.59	24.32	24.28	24.57	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.43	151.25	150.63	151.43	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	292.20	291.67	291.19	290.09	309.33 (18/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	368.15	366.09	366.38	367.76	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 25	Nov 18	Nov 11	year ago (approx.)
Dow Industrial Div. Yield	3.82	3.83	3.82	3.59
	Nov 16	Nov 9	Nov 2	year ago (approx.)
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY — †Volume (Millions)

	Nov 29	Nov 28	Nov 25
New York	127.420	123.980	72.090
Amex	8.702	7.660	4.766
OTC	104.824	93.802	50.065

NEW YORK

	Nov 29	Nov 28	Nov 25
Issues Traded	1,952	1,941	1,812
Rises	939	704	513
Falls	536	720	778
Unchanged	477	517	521
New Highs	39	26	24
New Lows	37	35	21

CANADA — TORONTO

	Nov 29	Nov 28	Nov 25	Nov 24	1988 High	1988 Low
Metals & Minerals	2907.5	2897.0	2904.0	2896.2	3226.5 (5/7)	2238.7 (8/2)
Composite	3273.6	3261.2	3275.0	3265.0	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1626.36	1617.98	1622.02	1619.85	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	3,480,200	90⅞	+ 1⅞	AT&T	1,532,000	29	– ⅛
Texas Util (sd)	2,601,900	28⅝	– ⅛	Reebok	1,507,500	10½	– ⅝
Northeast Util	2,260,200	28½	+ ⅛	General Electric	1,395,600	44⅛	+ ⅝
IBM	1,695,100	119⅝	+ ½	General Motors	1,297,600	83⅞	+ 1⅝
USF&G	1,636,700	30⅛	– ⅛	Unisys	1,051,200	27	+ ⅝

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 30	Nov. 29	Nov. 28	Nov. 25	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1471.5	1472.0	1480.1	1506.0	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	682.3	682.2	690.1	703.1	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.10	221.20	221.60	221.70	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5361.70	5341.90	5370.70	5388.70	5393.00 (24/11)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	252.22	249.63	248.61	247.78	252.22 (30/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	743.1	741.0	738.9	739.7	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	390.9	390.5	392.1	393.5	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	150.1	149.5	149.5	151.5	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	526.45	521.33	522.55	527.74	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1582.5	1567.0	1570.7	1588.4	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1275.99	1262.55	1259.13	1275.41	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2659.30	2632.68	2625.08	2656.08	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	578.92	574.22	573.91	580.21	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29578.90	29318.30	28983.32	29406.65	29578.90 (30/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2285.75	2269.15	2245.50	2275.41	2285.75 (30/11)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	274.0	271.2	270.3	272.9	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	241.4	238.9	238.5	241.0	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	422.34	419.42	420.77	419.49	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1005.49	1003.37	1002.55	1010.94	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1343.04	1331.0	1330.0	1284.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1855.04	1846.0	1839.0	1838.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	281.57	282.23	283.50	283.77	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	3181.70	3157.70	3199.60	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	583.2	580.9	577.7	580.2	583.2 (30/11)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	487.8	482.9	488.8	491.1 (24/11)	401.0 (21/1)

**Saturday Nov. 26: Japan Nikkei 29363.59 and TSE 2273.70

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 30 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	146.2m	788	+13	Mitsubishi Electric	38.6m	996	-2
Nippon Steel	109.1m	958	+9	Sumitomo Heavy	36.5m	858	-4
Kawasaki Heavy Ind	91.2m	980	+16	Kobe Steel	35.1m	748	+6
Mitsubishi Heavy Ind	87.9m	1,070	-10	Kawasaki Steel	32.8m	1,080	+40
Isuzu	41.3m	1,080	+60	Japan Steel Works	32.1m	735	+10

3pm prices November 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
27⅞	14	AAR	.44	1.9	17	69	23¼	23	23⅛	+⅛
10⅛	6⅞	ACM n				17	9	8⅞	9	+⅛
12⅛	10¾	ACMIn	1.26a	11.		251	11⅛	11	11	−⅛
10⅛	10	ACM M n				159	10⅛	10	10	−⅛
12⅛	10½	ACMSc	n1.26	12.		781	10⅝	d10½	10½	−⅛
10⅛	8⅞	ACMSp	n1.01	11.		616	9	8⅞	8⅞	−⅛
6⅛	3⅞	AM Intl				158	4⅛	4½	4⅝	
23⅛	18⅛	AM Int pf	2	9.4		33	21⅜	21¼	21¼	−⅛
52¼	26¾	AMR			9	4296	u53¼	52⅛	53	+¾
9½	5½	ARX			10	309	5⅝	d5⅜	5¼	+¼
58⅝	35¼	ASA	3a	7.6		179	39¼	38⅞	39¼	+⅜
20¼	11	AVX	.12g	.8	11	163	16⅛	16	16	
52⅞	42¼	AbtLab	1.20	2.6	15	2285	46¼	45⅝	46⅛	+½
21¾	15¼	Abitibi g	1			80	16¼	16¼	16¼	
13⅞	7½	AcmeC	.40	5.0		67	8⅛	7⅞	8	
8⅞	5⅞	AcmeE	.32b	5.4	28	25	6	5⅞	5⅞	
28½	12¾	Acuson			22	469	23	22⅞	22⅞	+⅛
17	14½	AdaEx	1.82e	12.		88	14⅝	14⅝	14⅝	
18⅞	7¼	AMD			14	2634	7⅞	7⅝	7½	+⅛
43½	28¾	AMD pf	3	10.		225	29	28¾	29	−⅛
8½	4¾	Adobe				10	6⅛	6⅝	6¾	+⅛
18½	16¼	Adob pf	1.84	11.		30	17⅛	17	17⅛	+⅛
21¾	19¼	Adob pf	2.40	12.		25	20½	20⅜	20½	−⅛
9¾	5⅞	Advest	.12	1.7	21	65	7	6⅞	6⅞	
52½	39½	AetnLf	2.76	5.8	6	1996	47¾	46⅞	47⅝	+⅜
34¼	20½	AflPb s	.20	.7		551	29⅞	28¾	29¼	+¼
18⅝	13	Ahmans	.88	5.5	8	2251	16¼	15⅞	16	
4⅝	1⅞	Aileen				40	3⅝	3½	3½	
53⅞	30⅝	AirPrd	1.20	3.1	10	1240	39⅛	38⅝	39	+¼
18⅝	11⅛	AirbFrt	.80	3.2	19	155	18⅞	18½	18⅞	+⅜
16⅝	6¼	Airgas			18	52	15⅛	14⅞	15	+⅜
20	14½	Airlease	2.40	13.	9	21	19	18⅞	19	−⅛

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices November 30

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 30

FINANCIAL TIMES

Thursday December 1 1988

AMERICA

Firm bonds help Dow rise further

Wall Street

QUIET optimism continued to prevail on Wall Street yesterday morning, as equity prices continued this week's winning streak, *writes Karen Zagor in New York.*

Both equities and bonds were largely unmoved by the release of the October personal income figures, which showed a higher than expected increase of 1.8 per cent. The release of the November unemployment figures on Friday was more likely to move the market, analysts said.

At 2 pm, the Dow Jones Industrial Average was up 12.98 at points at 2,114.51. Volumes were modest.

With the Dow Jones Industrial Average having made gains in seven of the last eight sessions, investors hoped that the market might continue its move upwards, provided there were no shocks in Friday's employment figures. On Tuesday, the Dow Jones Industrial Average topped the 2,100 level for the first time since November 10.

Support for equities came from a moderately stronger bond market, where the Treasury's benchmark long bond improved by ⅛ point to 99⅝, a price at which it yielded 9.077 per cent. Analysts said the bond market was helped by the fact that the dollar had showed little change overseas and had continued to hold its own in US trading with no obvious help from central banks. While the personal income data for October did not make good reading for bond investors, the debt market, like the equity market, was focusing on the forthcoming employment data.

The dollar was showing slight improvement after sliding on Tuesday, but there was no sign of bullishness about the US currency in the foreign exchange markets. The currency markets, too, were likely to remain stalled until Friday's employment release, dealers said.

One factor encouraging both equity and bond investors was the continuing moderation of the oil market's response to the Opec production accord signed earlier this week. January oil futures were up 20 cents a barrel to $15.12, while oil for delivery later in the new year actually declined slightly.

While the Opec agreement initially caused bullish sentiment among oil-exporting nations, this was countered by doubts about Opec members sticking to the quotas, coupled with the current over-supply and the possibility of all-out production before January, all of which could push prices lower.

RJR Nabisco was the most active non-utility stock on the New York Stock Exchange for the second day in a row, adding $2⅛ to $93, as investors awaited an announcement about the results of the record-breaking buy-out auction for the tobacco and foods company. The betting on Wall Street appeared to favour the bid submitted by Kohlberg Kravis Robert, the largest US leveraged buy-out company. This offer was said to be worth about $102 or $103 a share in cash and securities.

Nellcor, a manufacturer of surgical equipment, medical instruments and apparatus, added $1 to $12⅞ on over-the-counter volume of 514,000 shares – more than double the stock's recent average daily volume. The surge follow Nellcor's presentation at a Robertson Colman & Stephens medical conference.

Holly Farms, the poultry producer, traded at $53⅞, up $1, as Tyson Food sweetened its bid for all of Holly Farms' common shares. Tyson is now offering a two-step takeover worth $57 a share.

Union Carbide rose $⅜ to $25⅜, in spite of an announcement of a failed merger with General Electric Co of their silicone businesses into a joint venture company. The companies said no further action is planned. General Electric gained $⅝ to $45⅝.

Canada

A FIRMER Canadian dollar and strength in oil and bullion prices buoyed Toronto stocks in light early trading. The composite index gained 9.3 to 3,283.0 by midsession.

Banks, which have been reporting higher fourth quarter earnings, filled the most active list with Toronto Dominion rising C$⅜ to C$35⅞, Canadian Imperial Bank up C$⅛ at C$24⅞ and Bank of Montreal gaining C$⅜ to C$27⅞.

SOUTH AFRICA

A SHARP fall by the financial rand enabled gold stocks to close mixed to higher in Johannesburg yesterday. Trading was otherwise thin and featureless.

Southvaal gained R3 to R118 and Randfontein picked up R2.50 to R275, while Freegold slipped 25 cents to R29.25.

Elsewhere, mining financial Anglo American advanced R2.65 at R63, platinum stock Impala rose R1 to R35.25 and De Beers moved R1.15 higher to R42.50.

Seoul rallies as pepper piles grow

Maggie Ford on the link between angry farmers and soaring stocks

THE HOME of South Korea's main opposition leader, Mr Kim Dae Jung, is currently surrounded by barricades of sacks of red peppers, a prime ingredient of kim-che, the national food.

Perched on the piles of peppers are crowds of protesting farmers, demanding that the opposition does something about prices for their produce, which have fallen because of a glut. Shoppers, meanwhile, have rushed to the market to stock up while it lasts.

The connection between red peppers and the boom in the Seoul stock market may not be immediately clear to the farmers or, indeed, to investors, who have seen a 25 per cent increase in the index over the past month. But officials at the Bank of Korea, the central bank, will be aware of where the food factors coincide: for they are the custodians of the money supply, which determines both the liquidity in the economy and the growth in the rate of inflation.

Recently, the bank has released millions of dollars into the economy, most of which have gone into the stock market, raising the index in a few weeks from the previous support level of 685 to a new high of 838.33 yesterday, up 2.26.

The current boom has increased market capitalisation to almost $90bn, well past the Hong Kong market level and approaching that of Taiwan. Daily volume has increased from an average value of $250m to $650m.

The release of the extra liquidity follows a decision by the financial authorities to alter the method of calculating the money supply and to stop issuing monetary stabilisation bonds, which have been used to mop up liquidity.

These bonds, which securities firms and other institutional investors were forced to buy, had been issued in such quantities that they threatened to bankrupt the central bank as interest payments on them became due. The central bank complained strongly.

An easing in the inflation rate – thanks partly to a fall in the cost of food which plays a big role in the consumer price index – helped to spur the change of policy by the authorities.

And pressure had also come from top business groups which said the Government's plan to deregulate interest rates this year would cause a crippling rise in borrowing costs because of the shortage of liquidity.

The stock market boom has been further helped by government indications last month that it was seriously considering a new plan to open capital markets to more foreign investment. Foreign stockbrokers were depressed, however, by a report yesterday that a Ministry of Finance committee was suggesting 1992 as the appropriate year for allowing direct foreign investment, a later year than earlier indications.

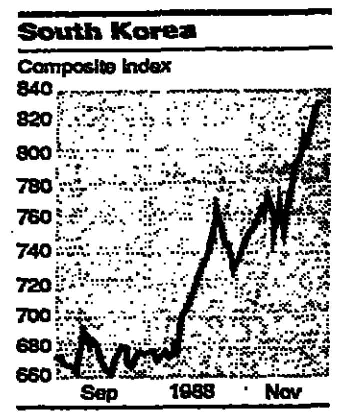
It remains unclear how long the authorities will allow the current rally to continue, especially considering the unpleasant political consequences of Taiwan's spectacular rise only a few months ago. Government action to stem the rise there – by imposing a new capital gains tax – sent the Taiwan stock market plummeting.

Earlier this year, liquidity surged into property speculation in South Korea, provoking a public outcry about rocketing house prices. The Government moved swiftly then to regulate that market and speculative funds were temporarily forced out of the system.

The present stock market enthusiasm has been helped by the continuing evidence of a strong underlying economy, allaying some investors' fears of a post-Olympic Games slump. Economic growth is expected to reach more than 11 per cent this year, and the current account surplus is projected at $14bn, compared with last year's $9.8bn.

The market has also been helped by a slowing of rights issues. So keen is interest that buying has spread beyond the usual speculative trio of construction, financial and trading shares to blue chip industrials.

No signs are yet evident, however, that the South Korean market is responding simply to fundamentals. It seems likely to continue to rise until politics – in the form of red pepper farmers, angry shoppers or even central bankers – combine to demand an end to the speculative bubble.



EUROPE

Rumours and results put paid to bourses' languor

CORPORATE news and pockets of speculation enlivened European bourses yesterday and most ended higher, *writes Our Markets Staff.*

FRANKFURT woke up from its early-week slumbers as New York's overnight gains and the steady dollar helped shares bound ahead in relatively active trading. At midsession the FAZ index was 5.12 better at 526.45, and by the close the DAX index was up 13.44 at 1,275.99 on turnover of shares worth DM2.2bn.

Dresdner Bank closed DM2.70 higher at DM296.20 before announcing that group partial operating profits for the first 10 months of 1988 had fallen 1 per cent to DM1.3bn. The bank also revealed plans to diversify into corporate finance, business consultancy and mortgage financing.

Commerzbank, which produced disappointing results on Tuesday, rose just 80 pfg to DM233.50 as the market digested rumours that Spain's Banco Hispano Americano (BHA) wants to take a 5 per cent stake in the German bank. Commerzbank already holds 10 per cent of BHA.

One salesman speculated that because it was unlikely that BHA would be able to buy the shares in the market, Commerzbank would have to issue new shares to accommodate its Spanish partner.

Retailer Asko dropped DM6 to DM722 against the trend on further rumours that Deutsche Bank wants an extraordinary audit into Asko's finances following problems the bank faced placing the retailer's recent DM866m share issue.

PARIS gained ground as speculation continued to buoy demand for Société Génerale, which climbed FFr18 to FFr585 after reaching a record FFr588.

Investors appeared to be sceptical about chairman Mr Marc Vienot's remark to a newspaper that more than 50 per cent of the bank's capital was in friendly hands, and thought stake-building in the stock was continuing.

There was still concern in the market about interest rates after the October trade figures showed a deficit of FFr4bn, but the general feeling was that the domestic inflation rate would not be raised at today's securities repurchase tender.

The CAC General index rose 0.4 to 390.9 and the OMF 50 index added 4.22 to 408.12.

MILAN gained ground in modest trading on the back of firmer overseas markets and receding currency worries. News of higher inflation was expected and did not upset sentiment. The Comit index closed up 4.70 at 578.92.

Ferruzzi group stocks were at the forefront of the market's rise, with Montedison climbing L20 to L1,950 on news of good earnings growth at its polypropylene producing unit Himont. Insurance concern Fondiaria jumped L850 to 69,050 amid continued positive reaction to its acquisition of a 25 per cent stake in West German insurer Volksfürsorge.

AMSTERDAM closed at the day's high on the dollar's sharp rise against the guilder and Wall Street's overnight strength. The CBS all-share index added 1.7 to 99.4.

Attention focused on shipping stocks as Nedlloyd jumped Fl 13 to Fl 238.50 on hopes of an imminent bid. Dealers were linking the Nedlloyd activity with news that Holland America Line had sold its shipping and tourism activities to Carnival Cruise Lines.

Analysts suggest that the newly cash-rich HAL may use the money to bid for Nedlloyd. Trading in HAL was suspended all day after the shares closed at Fl 1,198 on Tuesday.

ZURICH was helped higher by demand for registered stock, with the Crédit Suisse index adding 4.5 to 510.3.

Insurance companies were strong again, with Winterthur registered climbing SFr275, or 9 per cent, to SFr3,350. Its bearers lost SFr210 to SFr4,600. One analyst in London said there were rumours that UBS Zurich was offering Winterthur registered stock in London – against a gentleman's agreement not to sell registereds to foreigners because they are not allowed the vote which accompanies such stock. An afternoon meeting between Winterthur and UBS fuelled further rumours that Winterthur might follow Nestlé's lead and open its registered stock to overseas investors, although the analyst doubted that would happen and said UBS was probably being chastised.

MADRID finished lower after a dull session during which trading was suspended in property group Vallehermoso and Inmobanif, which are due to publish details of their merger. The general index fell 0.66 to 281.57. Property group Urbis saw large volumes as speculative trading turned to it, rising 4 points to 470 per cent of par.

BRUSSELS was again dominated by heavy trading in Fabrique Nationale and Gechem, the troubled subsidiaries of Société Générale de Belgique. The cash index rose 19.8 to 5,361.7.

Gechem gained BFr44 to BFr630 on turnover of 36,500 shares and FN added BFr10 to BFr550 on 25,600 shares amid growing discontent among minority shareholders at the recapitalisation plans for the two companies.

COPENHAGEN climbed to an all-time high in healthy volumes, helped by a strong bond market and speculative trading. The CSE index rose 1.37 to 252.22, with demand focusing on industrials and export stocks.

Continuing rumours of a possible restructuring or buy-outs sent Commercial Leasing, the ship leasing group, up DKr25 to DKr730, after it reached DKr775 at one stage. Sister company Ballin & Hertz, the property group, jumped DKr70 to DKr720, after reaching DKr775. The two have each risen by about 25 per cent in less than a month, says Brancor Securities Copenhagen.

STOCKHOLM saw share prices and volumes rise as bargain-hunters appeared, cheered by gains in New York and Tokyo.

ASIA PACIFIC

Nikkei hits peak as interest rate fears fade

Tokyo

INVESTORS put aside their worries over higher interest rates yesterday and stepped up their buying of equities to push the Nikkei average to another record high, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, which last posted a new high six trading days ago, made a strong advance to 29,578.90, up 260.60. More issues rose than fell – at 578 and 337 respectively – and 149 issues ended unchanged.

The strong demand sent volumes substantially higher, to 1.62bn shares from Tuesday's 1.14bn. The TOPIX index of all listed shares firmed 16.60 to 2,285.75, and the ISE/Nikkei 50 index, which tracks the after-hours performance of 50 Japanese shares traded in London, picked up 3.84 to 1,883.96.

The strong gain in Tokyo on Tuesday and the overnight rise on Wall Street provided some encouragement. However, the main factor behind the gain was the receding fear of the negative impact of higher interest rates on the market, said Mr Hiroshi Taguchi of Nomura Securities in Tokyo.

There had been growing fears that the US Federal Reserve Board would raise the official discount rate, which could lead to an increase in interest rates in Japan. But the strength shown by Wall Street on Tuesday encouraged Tokyo investors, as New York did not seem overly concerned about the dampening effect of higher interest rates.

Furthermore, the Japanese monetary authorities largely dispelled the fear that a rise in US rates would lead to an increase in domestic interest rates. The feeling is that any US discount rate increase would be linked to the dollar's weakness. It is therefore thought unlikely that Japan would raise its official discount rate in response to any US hike, as doing so could further weaken the dollar.

With interest rate worries therefore put to the side, institutional investors stepped up their activity, focusing on issues with high liquidity, such as steels and shipbuildings.

Sumitomo Metal, the day's most active stock with 145m shares dealt, increased Y13 to Y786. Nippon Steel, second in volume at 109m shares, added Y9 to Y956 and Kawasaki Steel increased Y40 to Y1,080.

Among shipbuilding issues, Kawasaki Heavy Industries, third most actively traded at 91m shares, advanced Y15 to Y960. Mitsubishi Heavy Industries and Sumitomo Heavy Industries both rose to new highs during the day although they fell back later in heavy volume. Mitsubishi lost Y10 to Y1,070 after rising to Y1,090, while Sumitomo declined Y4 to Y956 after advancing to Y974. All three had risen on Tuesday on news that Japan and the US had signed a memorandum of understanding on the joint development of the next generation support fighter for Japan's Self-Defence Force.

Large capital issues were featured in Osaka where the OSE average gained 160.78 to 27,546.33.

Roundup

A MIXED day for Asia Pacific markets ended with Australia still hamstrung by the strong local dollar and high interest rates, Hong Kong rising on good property news and Taiwan falling sharply on oil price fears.

AUSTRALIA traded in a 5-point range as the market showed no inclination to break out of its recent doldrums. The strength of the Australian dollar and interest rate concerns kept most buyers at bay, although there was demand for selected takeover stocks. The All Ordinaries index eased 0.5 to 1,471.5 on turnover of 132m shares worth A$292m.

The day's only fresh bid came from Bond Corp, which offered A$2-a-share for former Holmes à Court unit JN Taylor. Bond already has 18.7 per cent of its target, but Bell Group, which owns 27.9 per cent of JN Taylor, has refused to sell its stake to Bond Corp.

Confusingly, Bond Corp is the main shareholder in Bell Group, but one analyst thought the Bell directors were proving their independence by blocking the bid.

Cadbury Schweppes was heavily bought as the shares continued to climb above Tuesday's A$4.25-a-share offer from the group's UK parent. It firmed 6 cents to A$4.35.

HONG KONG drew strength from Tokyo's highs and the local property boom to move upwards in good turnover. The Hang Seng index rose 26.62 to 2,659.30 as HK$1.2bn worth of shares changed hands, almost double Tuesday's volume.

The success of Tuesday's government land auction – where prices realised were higher than expected – gave sentiment an extra boost.

SINGAPORE edged higher in thin trading as light afternoon selling pared early, Wall Street-inspired gains. The Straits Times industrial index rose 2.12 to 1,005.49.

TAIWAN suffered its second largest fall of the year as fears of higher oil prices and worries about international interest rates saw the weighted index plunge 269.05 to 6,814.11.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY NOVEMBER 29 1988					MONDAY NOVEMBER 28 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	146.97	−0.1	117.62	111.44	4.61	147.13	118.75	111.95	152.31	91.16	99.29
Austria (17)	98.37	+0.4	78.73	88.28	2.44	97.94	79.04	88.30	100.00	83.72	93.47
Belgium (63)	133.45	−0.1	106.80	119.79	4.22	133.55	107.78	120.37	139.89	99.14	98.31
Canada (125)	120.54	+0.1	96.47	104.26	3.36	120.45	97.21	103.92	128.91	107.06	102.99
Denmark (39)	153.32	+0.7	122.70	138.93	2.18	152.29	122.91	138.57	153.98	111.42	112.08
Finland (26)	136.31	+1.5	109.09	117.12	1.43	134.29	108.38	115.63	139.53	106.78	–
France (130)	110.66	+0.4	88.57	102.38	3.17	110.20	88.94	102.33	112.05	72.77	84.66
West Germany (102)	85.98	+0.0	68.81	77.19	2.42	85.98	69.39	77.46	88.21	67.78	75.56
Hong Kong (46)	108.90	+0.4	87.15	109.14	4.73	108.46	87.54	108.73	111.86	84.90	82.01
Ireland (18)	130.99	−0.1	104.83	119.31	4.18	131.11	105.81	119.72	144.25	104.60	100.27
Italy (98)	85.03	+0.5	68.05	81.15	2.49	84.59	68.27	81.14	86.73	62.99	79.47
Japan (456)	189.28	+1.8	151.48	145.31	0.51	186.00	150.12	143.68	190.75	133.61	139.04
Malaysia (36)	140.18	+0.1	112.19	144.12	2.98	140.06	113.04	144.53	154.17	107.83	101.03
Mexico (13)	180.05	−1.2	144.09	450.21	1.14	182.24	147.08	455.68	182.24	90.07	119.59
Netherland (38)	109.24	+0.2	87.43	97.10	5.08	109.04	88.00	97.24	111.00	95.23	94.01
New Zealand (25)	70.16	−0.3	56.15	56.88	6.94	70.34	56.77	57.08	84.05	64.42	78.56
Norway (25)	125.78	−0.7	100.66	110.71	2.62	126.64	102.20	111.85	132.23	98.55	101.56
Singapore (26)	120.43	+0.4	96.38	107.67	2.52	119.96	96.81	107.57	135.89	97.99	92.05
South Africa (60)	127.11	+0.4	101.73	96.65	4.76	126.65	102.21	96.30	139.07	98.26	145.28
Spain (42)	152.62	+0.3	122.15	130.54	3.13	152.12	122.77	131.03	164.47	130.73	120.53
Sweden (35)	135.11	+1.0	108.13	120.26	2.38	133.76	107.95	119.55	137.43	96.92	93.91
Switzerland (57)	79.99	+0.8	64.02	71.66	2.37	79.38	64.07	71.38	86.75	74.13	80.72
United Kingdom (318)	138.59	+1.2	110.92	110.92	4.75	136.97	110.54	110.54	141.51	120.66	117.23
USA (577)	110.40	+0.9	88.35	110.40	3.69	109.44	88.33	109.44	115.55	99.19	94.66
Europe (1008)	114.79	+0.7	91.87	98.20	3.78	114.00	92.00	98.11	116.61	97.01	97.12
Pacific Basin (680)	184.29	+1.7	147.49	142.34	0.73	181.27	146.30	140.84	185.75	130.81	135.35
Euro-Pacific (1688)	156.48	+1.4	125.23	124.82	1.64	154.35	124.57	123.87	158.08	120.36	120.09
North America (702)	110.93	+0.8	88.78	110.04	3.67	110.02	88.79	109.12	116.07	99.78	95.10
Europe Ex. UK (690)	99.85	+0.3	79.91	90.47	3.01	99.54	80.34	90.56	101.29	80.27	84.65
Pacific Ex. Japan (224)	124.74	+0.1	99.83	104.91	4.62	124.66	100.62	105.09	128.27	87.51	90.79
World Ex. US (1886)	154.94	+1.3	124.00	124.00	1.71	152.91	123.41	123.07	156.39	120.26	119.76
World Ex. UK (2145)	137.80	+1.2	110.29	120.26	2.06	136.18	109.91	119.27	138.28	111.77	109.35
World Ex. So. Af. (2403)	137.92	+1.2	110.38	119.52	2.29	136.29	110.00	118.58	138.61	113.26	109.81
World Ex. Japan (2007)	113.10	+0.7	90.52	105.76	3.76	112.28	90.62	105.22	115.54	100.00	95.15
The World Index (2463)	137.86	+1.2	110.33	119.37	2.30	136.23	109.95	118.43	138.50	113.37	110.04

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

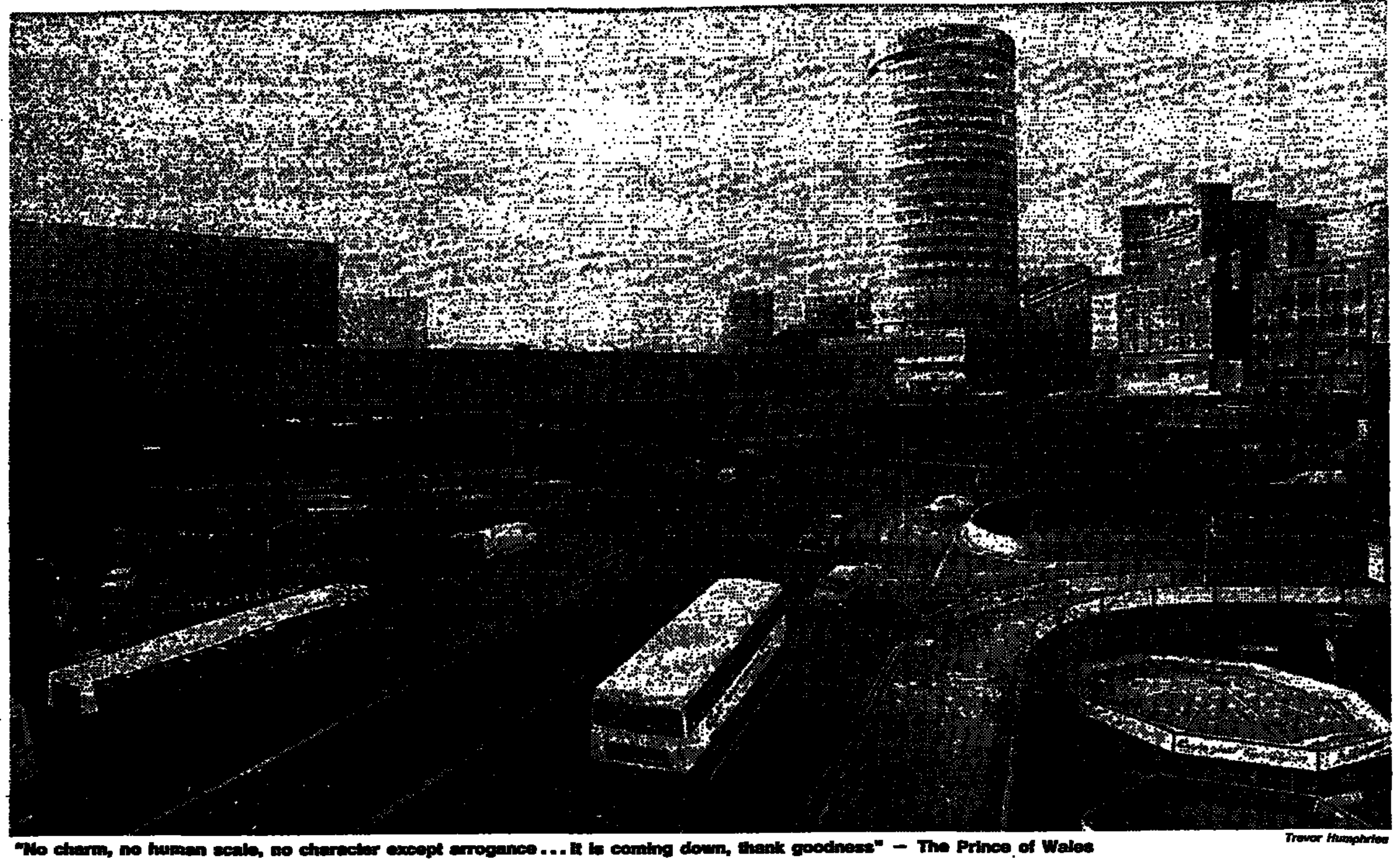
Latest prices were unavailable for this edition.

هكذا من الأصل

SECTION III

FINANCIAL TIMES SURVEY

As Birmingham prepares to celebrate its centenary year, this one-time workshop of the world is undergoing a radical transformation aimed at turning it into one of Europe's leading business centres. **Richard Tomkins**, Midlands Correspondent, reports.



"No charm, no human scale, no character except arrogance ... it is coming down, thank goodness" — The Prince of Wales

Trevor Humphries

BIRMINGHAM

CONTENTS

Beyond the Bull Ring

"ARE THEY really knocking down the Bull Ring?" people ask incredulously.

It's as though Birmingham itself was being demolished. The shopping centre that was once held up as a piece of pioneering 1960s architecture may now be regarded as an ugly blot on the urban landscape, but it is still the city's best known landmark.

The answer to the question is yes: the Bull Ring is soon to make way for another equally ambitious project called The Galleries, a £250m city centre development by the London & Edinburgh Trust that will include a 22-acre mall with five major stores and 175 other shops.

But the Bull Ring is not the only unsightly monument to post-war architecture now facing the bulldozer. As Birmingham prepares to celebrate the 100th anniversary of its designation as a city, it is caught up in an astonishing spate of redevelopment in which an estimated £1.25bn is being spent.

People returning after a long absence are increasingly finding parts of Birmingham changed beyond recognition. The city centre is bespattered with the tall masts of cranes as new buildings are thrown up to replace the not-so-very-old.

One reason for the building boom is the strength of the West Midlands economy. This heavily industrialised region of the country has recently undergone a revival on the back of the strength of the national economy, and Birmingham, as the regional capital, has been the beneficiary.

But a more significant catalyst for the changes now taking place has been Birmingham's determination to regain its international standing through a policy of building up its service sector industries — in particular, business tourism.

Once renowned as the workshop of the world and the capital of Britain's industrial heartland, Birmingham flourished from the early days of the industrial revolution to the late 1960s as customers from around the world beat a path to its factories' doors.

But boom turned to slump in the 1970s as British industry lost its international competitiveness and recession began to bite. The number of jobs in Birmingham fell by nearly 150,000 to 474,000 between 1971 and 1984, with manufacturing by far the worst casualty.

Birmingham was spurred into action in defence of its reputation and its citizens' jobs by a long-standing tradition of municipal enterprise dating back to Joseph Chamberlain's period as mayor in the 1870s.

Those were the days when a spirit of civic pride — the so-called civic gospel — saw slums cleared, Corporation Street constructed, gas and water services municipalised, and the high death rate cut down. In those days, it is said, Birmingham was the best governed city in the world.

A century later, the same spirit found its expression in a determination to find a new economic base for the city that would reduce its exposure to declining manufacturing industries and take it into the next century as a leading international business city.

The first step, taken in the 1970s, was nothing if not bold — £50m was spent on building Britain's first purpose-built exhibition centre on a green-field site next to Birmingham Airport.

Many ridiculed the idea of attracting exhibitions away from London and saw the National Exhibition Centre as an expensive white elephant. But the NEC worked. Opened in 1976, it now attracts most of the international exhibitions held in Britain; it clears a useful profit after debt charges; it is estimated to have produced at least 4,000 jobs; and it has raised Birmingham's national and international profile.

Encouraged by this success, Birmingham has now embarked on a still more ambitious scheme aimed at attracting new investment and jobs. This is the construction of a £121m International Convention Centre in the city centre — again, a UK first.

It is hard to understate the boldness of this venture. With its associated developments, the convention centre — by far Britain's biggest — will cover a vast tract of inner Birmingham. Were it conceivably to flop, the hole it would leave in Birmingham's heart would be as large as the one in its pocket.

The possibility of failure therefore cannot be allowed. But the city is mindful that if people are to like the convention centre, they will have to like Birmingham, too. It is this thought that underlies much of the current wave of reconstruction.

Birmingham, after all, is not a particularly attractive place and has hitherto suffered from a correspondingly poor image — a fact that was brutally brought home by a report on the quality of life in Britain earlier this year, which found Birmingham the 38th most desirable city in a list of 38.

The wounds were just beginning to heal from that assault when the Prince of Wales reopened them on peak-time television five weeks ago with his lambasting of post-war architecture, using Birmingham as an example of all that he found so objectionable.

The main reason for the city's lack of charm is that it was extensively redeveloped during the prosperous 1960s, a time when architecture appears to have struck a low and town planning theory advocated the separation of people from cars.

Over-enthusiastic developers tore out much of the city's Victorian heart and replaced it with lumps of featureless concrete. Then around the whole they threw a motorway-style inner ring road less than a mile in diameter that forced pedestrians into dingy and dangerous subways.

In the words of the Prince of Wales: "Because of lack of vision, Birmingham's city centre became a monstrous concrete maze that only cars could find their way through. People did not stand a chance. Cars were placed above people and people were placed one above the other on concrete shelves.

"The notorious Bull Ring, for example, has no charm, no human scale, no character except arrogance. It is a planned accident. Most of it is coming down, thank goodness. So here is a second chance to put things right. But are they going to take it?"

The Prince left the question hanging, but his instinct had been clearly expressed earlier in the programme when he alluded to the plans for the convention centre as "an unmitigated disaster." On an earlier visit to Birmingham, too, he said the redeveloped Snow Hill station was "awful" and described the planned five-star Hyatt Hotel as resembling "a concrete missile silo."

The Prince is not alone in his views. Mr Joe Holyoak, for example, principle lecturer at the Birmingham School of Architecture, is one outspoken local critic of the Birmingham redevelopment mentality.

"The convention centre is typical of the schemes that characterised the 1960s: find a site, scrape it clean, and put an enormous single building on it," he says. Similarly, The Galleries - the planned replacement for the Bull Ring — is "one enormous megastructure dropping out of the sky onto the city centre."

There is little reassurance, either, to be found in one of Birmingham's most recent ventures into modern architecture. If the Copthorne Hotel and its twin office building failed to prompt a haranguing from the Prince of Wales, it can only have been because these two vast black mausoleums beggared his powers of description.

Yet it would be wrong to suggest that the city has learned nothing from its mistakes. Barely a week seems to pass without the announcement of another planning conference, a symposium on city centre redevelopment, a competition for the redesign of key sites.

If it is yet too early for these efforts to have borne much fruit, they at least demonstrate an awareness of the potential pitfalls of redevelopment: and the least that can be said of what is going up is that most of it is less bad than what is coming down.

Perhaps a slightly more intractable obstacle to Birmingham's efforts to improve its image is the popular notion that it is a city of a thousand trades and very little else. Culture is not a concept with which the word Birmingham is often regarded as synonymous.

Here again, the city is tackling the problem with moves such as the creation of the annual Birmingham Jazz Festival, the construction of a world class concert hall as part of the convention centre, and plans to give the city character by dividing it into Parisian-style quarters such as a Chinese quarter and a media quarter.

Today, it still seems fanciful to imagine Birmingham will one day be a city of international standing, ranked alongside Frankfurt, Barcelona and Milan. In truth, it probably never will.

Business tourism, finance and retailing are creating . . .

A different industrial base

COAL, IRON and limestone were the basis for Birmingham's evolution into Britain's second biggest city, but its future prosperity is being built on more intangible foundations.

Business tourism, financial services and retailing are the raw materials with which the city's new industries are working.

Although only 100 years old as a city next month, Birmingham as a settlement dates back to mediaeval times. Its famous Bull Ring has been a trading centre since Peter de Birmingham, lord of the manor, obtained the first grant of a market charter in 1166.

Cloth and leather making were also important local industries in the middle ages, but by the 16th century, the availability of coal, iron and limestone in the nearby Black Country had led to the development of metal-based trades such as nailmaking, edge-tool production and goldsmithing.

Significantly, however, Birmingham was to become more than just a metal-bashing town. As the focal point of the surrounding industrial heartland, Birmingham became a finishing centre and marketing outlet for basic metal goods from the surrounding area, a place where the available natural resources were complemented with a spirit of entrepreneurship and innovation.

The guns, buckles, buttons and brassware of the 17th century developed into increasingly complex metal goods, and the 18th century brought the beginning of an era of rapid expansion as the domestic and overseas markets for Birmingham's engineering skills expanded. As the industrial revolution gathered pace, Matthew Boulton, James Watt and William Murdock set up their great manufactory in Soho and Birmingham became the workshop of the world.

Prosperity on the back of this manufacturing base continued almost uninterrupted until well after the Second World War, but boom turned to slump in the 1970s when British industry was hit by the combination of a slowdown in domestic demand and the loss of its international competitiveness.

In the past, the diversity of Birmingham's manufacturing industry had helped it ride out recessions, but this time it was badly hit. Partly this was because it had allowed itself to become too heavily dependent on a small number of mature industries - in particular the motor industry and automotive component manufacturing.

A linked explanation lies in the government's post-war regional policy which consistently favoured investment in the less prosperous parts of the country at the expense of the (then) relatively well-off West Midlands. This hindered the natural self-regeneration of businesses in Birmingham, leaving it top-heavy with the old and infirm.

Birmingham Employment by Sector 1971-87

	1971	1975	1978	1981	1984	1987#
Manufacturing	303,811	251,818	247,480	191,181	161,570	159,000
Services	275,920	286,032	286,904	283,543	288,939	316,000
Total*	619,970	577,610	566,142	499,994	473,914	496,000

Sources: 1971-84 Department of Employment, 1987 Birmingham City Council.
Estimates * All employment categories

Birmingham, however, must share the blame for this. Even in the depths of the recession there was a widespread refusal in the city to accept that a large chunk of its manufacturing industry was in terminal decline, and stubborn pride prevented it from pressing the Government to change its regional policy.

As Mr Graham Shaylor, the city council's director of development, recalls: "The general mood was not to require government assistance because it was believed that investors would not be interested in coming to an area that was in need of government aid."

The city was allowed to become too dependent on a small number of mature industries

Birmingham eventually swallowed its pride when it found that disqualification from UK government help was automatically disqualifying it from valuable European Community funding. But by the time it had won assisted area status in 1984, it was already too late: no less than 150,000 of the city's 620,000 jobs had disappeared, virtually all of them from manufacturing.

But not all these job losses represented companies going out of business. In the drive to increase productivity to internationally competitive levels, many companies not only demanded higher levels of output from remaining employees but also began applying automation and robotics to jobs previously done by people.

Birmingham realised that however strong its eventual recovery, this structural change in industry's manpower requirements mean there was little likelihood of manufacturing providing a return to historic levels of employment. Instead, the service sector would have to show the way.

Birmingham's policy since the early 1970s has therefore been to build up its under-represented service sector by turning the city into an international business centre and attracting large-scale business tourism.

The first expression of this policy came in 1976 with the opening of the National Exhibition Centre. It is now being pursued with the planned doubling in size of the NEC and the opening of the International Convention Centre in 1991.

This policy has already had a marked effect on the city centre, prompting a construction boom as hotels, shops and offices spring up to serve the growing number of visitors. The financial services industry, too, has been encouraged by the mood of optimism and the strength of the West Midlands recovery to adopt Birmingham as a major provincial base.

The effects on Birmingham's employment structure have been striking. Latest estimates from the city council suggest that service sector employment had grown from 277,000 in 1971 to 316,000 last year while manufacturing employment plummeted from 304,000 to 159,000.

Yet Birmingham is still the manufacturing centre of the UK, employing more people in factories than Manchester and Sheffield combined: and companies such as Austin Rover, IMI, Lucas Industries, GKN, Jaguar and Cadbury Schweppes still employ thousands of workers apiece within the city boundary.

Partly because of the improvement in the national economic climate and partly through the recent strength of the UK motor industry, manufacturers in Birmingham are once again prospering. Significantly, Austin Rover recently announced that it was taking on another 600 manual workers at its Longbridge plant - something many people in Birmingham thought they would never see again.

Unemployment nevertheless remain a serious problem in the city. Some 11.3 per cent of people in the travel-to-work area and 15.2 per cent of people within the city boundary are unemployed, far above both regional and national averages.

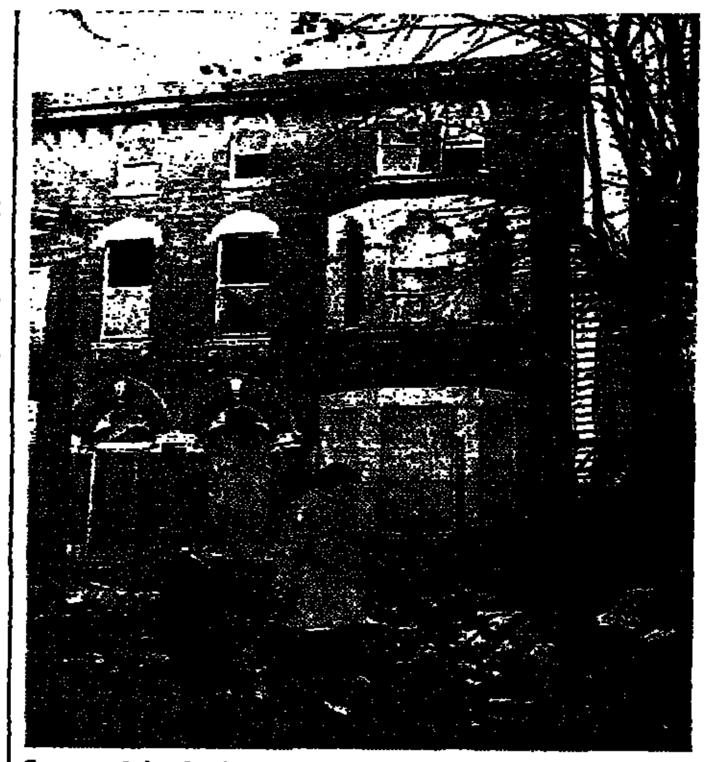
One recurrent criticism of Birmingham's industrial strategy is that many of the jobs being created by the service sector are poorly paid and go to part-timers, school-leavers and women returning to the workforce, so doing little to alleviate long-term unemployment among former factory workers and the city's large ethnic minority population.

Another worry is that much of the manufacturing industry that remains looks as vulnerable to the next economic downturn as it did to the last. According to Mr Geoffrey Edge, chairman of the West Midlands Enterprise Board, manufacturing industry in the area is seriously deficient in the provision of training, adoption of new technology, quality of management and product innovation.

"We need massive investment in all these areas. The emphasis on services is doing nothing to address these problems," he says.

New, high technology industries have been coming to the city, but not in sufficient numbers to staunch the haemorrhage of manufacturing jobs. In the three years to 1987, the service sector grew by 5.1 per cent but another 1.6 per cent of manufacturing jobs were lost. Birmingham may therefore need to make further calls on its powers of innovation and entrepreneurship if unemployment is to be radically cut.

Richard Tomkins



Scenes of deprivation: Birmingham's Handsworth district

SOCIAL TRENDS

Deprivation amid plenty

THE CITY of Birmingham is justifiably proud of its achievement in regenerating its local economy. It also knows that it faces severe difficulties in spreading the benefits of the success throughout the community.

The problem was highlighted in a recent report, Faith In The City of Birmingham, based on the findings of a commission set up by the Bishop of Birmingham's council. This found that amid the sea of plenty, evident in the business community and in the extraordinary level of building activity around the city centre, there continued to persist an "unacceptable level of deprivation."

The report concluded: "The division into separate, often adjacent areas of comfortable and deprived areas of Birmingham must provoke profound questions about our City and our individual lives."

Department of Employment statistics point up the disparities. They show that, though the unemployment rate for Birmingham as a whole is about 15 per cent, the rate on a ward-by-ward basis varies from 6.5 per cent at Sutton Coldfield to nearly 30 per cent at Sparkbrook.

The lack of adequate provision of housing represents a second major area of deprivation in Birmingham. The Bishop's commission found that "in spite of massive clearance and redevelopment programmes in the last 30 years, by 1986 about a quarter of the city's 400,000 dwellings were either unfit for habitation or

Continued on next page

POLITICS

Council split

BIRMINGHAM enters its centenary year with an embarrassing split on its council. On the face of it, the ruling Labour group has a clear majority with 67 of the 117 seats, but 20 Labour councillors of the Broad Left are undermining the leadership's authority by defying it on crucial votes.

The overt source of the rebel 20's grievance is the leadership's proposal to close a council-run children's home in Bognor Regis. But at root they are protesting at their inability to influence the Labour group's right-wing policies.

Birmingham electors are moderate folk as likely to return a Conservative council as a Labour one. Over the last 20 years or so they let the two main parties take turns at running the city.

Similarly there has often been little to choose between the parties. A long-standing tradition of municipal enterprise has united them in supporting big pioneering projects such as the National Exhibition Centre, the Olympic bid, the Birmingham Super Prix and the International Convention Centre.

Left-wingers oppose these projects on the grounds that essential services are being cut to fund them. Up till now, they have been gagged by the might of the old guard on Labour's right. But some unexpected successes in last May's elections have given them the courage to seek a bigger say in how the council is run.

Councillor Dick Knowles, the gritty veteran who heads the Labour group, has bluntly refused to give in to them: and the ensuing rancour has developed into a vicious row that culminated last month in the launch of an inquiry into Birmingham's Labour group by the party's National Executive.

It will probably be well into the New Year before the outcome is known. Meanwhile Cllr Knowles is under immense pressure to defuse the row by stepping aside in favour of a more conciliatory leader. The carrot being extended to him is the offer of the mayoralty during the high-profile centenary year. He has, thus far, been extremely unwilling to bite.

Richard Tomkins

Population trends

Urban slide

IF YOU want to live long, live somewhere other than Birmingham. The city has a mortality rate a full 8 per cent above the national average even after discounting demographic factors: in other words, the chances of dying there at any given age are 8 per cent higher.

Mostly this reflects the same factors present in other metropolitan areas: above-average concentrations of poverty and social deprivation, a high incidence of industrial disease, and poor health, hygiene and diet.

But exceptionally high death rates in some of the ethnic minority communities also lift the city's average. About 15 per cent of the population belong to families headed by someone born in the New Commonwealth or Pakistan, and parts of the Asian community suffer death rates (albeit gradually declining ones) some three or four times the national average.

Paradoxically, however, Birmingham has one of the highest birth rates in the country at 19 per cent above the national average. Here again, the figure is boosted by the ethnic minorities because they tend to include an exceptionally high proportion of people in fertile age groups.

This natural increase to Birmingham's population has nevertheless failed to halt an overall slide. Last year the population fell below 1m for the first time in decades when it hit 998,200, some 15 per cent below its 1961 level.

As with other cities, the main reason for the decline is people's exodus in search of a better lifestyle. Some leave forever, usually to the South-East, but many simply move out into the suburbs or surrounding countryside: between 1971 and 1981, the number of people commuting into the city rose by 14,000 to 162,000.

One consolation for Birmingham in the face of its declining population is that it is in no danger of losing its place as Britain's second biggest city. Its nearest rival, Glasgow, has a population of only 718,000, while Manchester and Liverpool are less than half its size at about 450,000 apiece.

Richard Tomkins

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National Exhibition Centre is to double capacity

Pop, sport lift profits

AT FIRST it was considered by many to be a white elephant, a future drain on ratepayers' and taxpayers' resources. Twelve years after its opening, however, that National Exhibition Centre is viewed as an outstanding example of municipal entrepreneurship.

The NEC, built largely with Birmingham Council-raised funds, is already Britain's biggest exhibition facility by far and its success has led to the city laying plans for a doubling of capacity by the year 2000.

The example the NEC has set was also probably the major factor in Birmingham's decision to build its International Convention Centre in the city centre.

The NEC's achievement can be measured in part by its profitability; last year it made a contribution of £3m to the city's rate funds. But just as important has been the spin-off on to local companies both in terms of their revenues and the number of jobs they provide.

Hard and fast figures are hard to come by — the last serious attempt to gauge the economic effect of the NEC was in 1984 when Ecotec, a consultancy company, estimated that nearly 4,000 jobs had been created and that £59m was pumped into the local economy a year as a direct result of the NEC's existence.

The NEC believes both these figures were under-estimates and expects a new survey it has commissioned to show that the jobs figure now is closer to 8,000 and the regional spend at today's prices nearer to £200m. That may or may not be proven. What is not in doubt is the record of the NEC itself.

The centre's ability to generate operating profits of £9.8m on turnover of £31m rests only in part on the business it specifically set out to capture when it opened. About 66 per cent of gross income in 1987-8 came from third party-organised exhibitions which the NEC's original backers, the city council, expected it to make a pitch for. Another 4 per cent comes from commercial lettings of shop space, car parking facilities and the like.

The rest comes from two revenue earners which have been introduced in the 1980s. Events, such as pop concerts and sports shows, provide about 20 per cent of income; and exhibitions organised by the NEC's in-house entrepreneurial department, arising from its 30 strong-team spotting gaps in the market, account for another 10 per cent.

All of this has led to the NEC being fully used for the equivalent of about 240 days a year — an occupancy rate of about 65 per cent. Is that enough, however, to justify the risk involved in the NEC's decision to aim to double capacity to 200,000 sq metres by the end of the century?

After all, the first part of the five-phase expansion alone involves £41m of expenditure. A third of that will be provided by a European Community grant, but most of the rest comes from the city borrowing on the financial markets and the debt will have to be serviced.

Mr Terry Golding, NEC chief executive, and his team, base their optimism in part on the rapid growth of business spending on exhibitions. Industry sources show that whereas UK companies in 1976 spent only about 2 per cent of their promotional budgets on exhibitions that figure has now reached 10 per cent and is growing.

Furthermore, much of the increased spending has and will inevitably continue to be channelled towards Birmingham because of the lack of competition in Britain. The NEC is well down the list of European exhibition centres in terms of size — but it is more than two times as big as the Earls Court centre, its nearest rival in Britain.

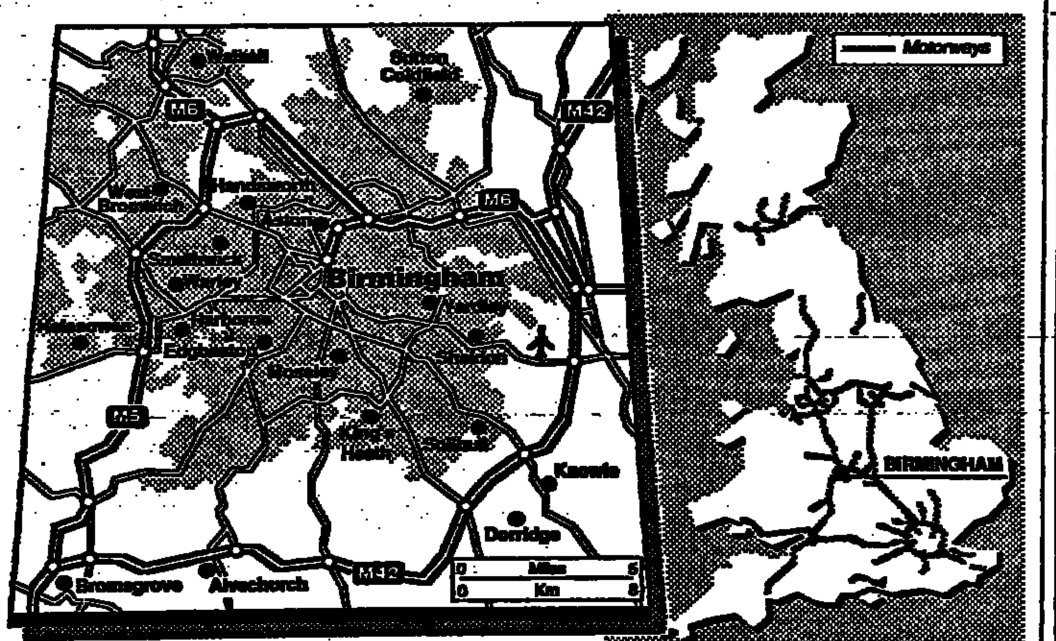
The number of exhibition centres in Britain is growing yet all are comparatively small and the NEC argues that, although they will be rivals for smaller exhibitions, they could also act as "fodder" for the NEC growth: once an exhibition grows to a certain size, there is only one place for it to be held.

The NEC also argues that the 65 per cent occupancy rate is misleading because there are certain periods of the year - Christmas and the peak summer months, for example — when there will never be strong demand for facilities. For at least some of the rest of the time, the NEC is having to turn away business because of a lack of capacity.

Some proof of this has already been provided by the take-up of space at next February's International Spring Fair for a variety of products, including gifts, jewellery and ceramics. For years this event has been restricted because of lack of space. The opening of halls 6, 7 and 8 has, however, enabled the fair to increase in size by 50 per cent and all the additional space has been taken up.

Birmingham City Council will undoubtedly need more evidence of increased demand before it sanctions further expansion. But, for the moment, faith in the NEC runs high and few people doubt its ability to meets its growth targets to the end of the century.

Michael Smith



Deprivation

Continued from Page 2

needed extensive repairs.

Meanwhile, homelessness has increased substantially: in 1987 there were 26,300 households on the housing waiting list, more than double the figure of 1979. In 1986, the city dealt with 7,970 homeless households, a figure three times higher than in 1979.

The Labour-controlled city council says its scope for tackling this and other deprivation problems is restricted by the Government's tight control of public spending. None the less, a voluble caucus on the Labour Party Left believes too much money and effort is being diverted into projects aimed primarily at helping business rather than deprived residents.

"If our economy is so buoyant, why should the council be doing things, like building the International Convention, Centre which should be done by the private sector?" says one Left-wing councillor.

Mainstream Labour councillors can point to a number of initiatives aimed at easing the city's social problems; from the building of a network of council-run "neighbourhood offices" to increasing the social services budget this year by 10 per cent at a time when the total city budget rose by only 6 per cent.

But they are also wary of accusations from the Right that they may simply be throwing money at the problems. One of the main thrusts of their approach has thus been to launch schemes which can both engender new money and create jobs.

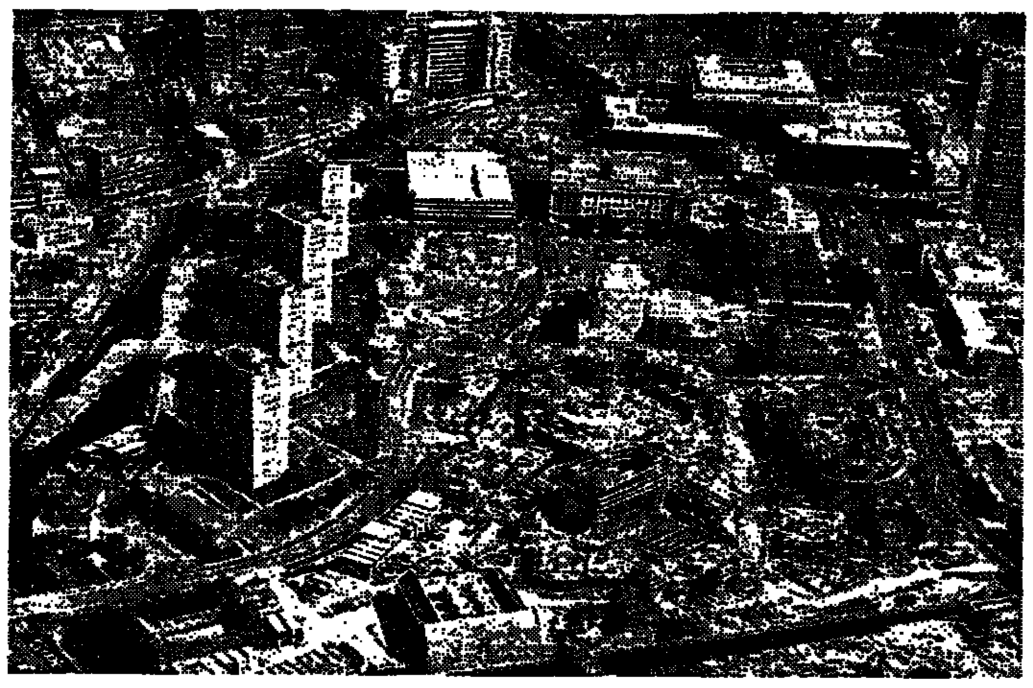
Yes, they say, the building of the International Convention Centre and the launch of schemes such as the Heartlands urban development project will help business. But such initiatives will also create permanent jobs.

Job creation will not solve Birmingham's social problems. But, so the controlling Labour group believes, it will go a considerable way towards easing them.

Michael Smith

INTERNATIONAL CONVENTION CENTRE

A British first



The convention centre begins to take shape on the city centre fringes

YOU CANNOT have your cake and eat it. Unless, that is, you are Birmingham City Council.

One problem loomed above all others when Birmingham decided to demolish a run-down chunk of the city centre and construct Britain's first purpose-built convention centre: where to find £121m.

The difficulty was that the European Community was prepared to put £35m towards the scheme on the grounds that it was a worthy public sector project, but Birmingham City Council had to find the rest.

The council was happy to take on the necessary debt. But tight government controls on local authority spending meant that any money borrowed for this project would have to be offset against the rest of the council's £100m a year capital programme, so leaving it in tatters.

Mr Tom Caulcott, then chief executive of Birmingham City Council, recalls how one suggested alternative was to seek an extra capital allocation for Birmingham on the grounds that this was a project of national or regional significance.

"But to get *that* we would have had to get the agreement of the other metropolitan authorities, and there was no way the Manchesters, Leeds and Sheffields of this world would have given up their capital allocations in order to increase ours."

The solution — which Mr Caulcott claims was suggested by the Treasury — was that Birmingham should 'privatise' the International Convention Centre by funding its construction through the vehicle of the National Exhibition Centre Limited, a company formed (and owned) by the city council to manage the NEC.

The pretence enabled the government to turn a Nelsonian eye to Birmingham's financing of the project on the grounds that it fell within the private sector. But only public sector projects qualify for EC aid, so the sham was there for all to see when Birmingham duly received its £35m EC grant.

The result of this fancy financial footwork is that a great swathe of central Birmingham is being transformed as Britain's first purpose-built convention centre takes shape in readiness for its opening in 1991.

There will be 11 main halls in the centre itself with seating capacities varying from 120 to 3,000 people each. The halls will include exhibition, banqueting, theatre and cinema facilities, and there will smaller meeting rooms for so-called break-out sessions.

Hall Two will double as a concert hall seating 2,200 people. This will aim to offer some of the world's best acoustics and provide a suitable home for Simon Rattle and the City of Birmingham Symphony Orchestra as well as visiting performers.

Immediately adjacent to the convention centre will be the 26-acre Brindley Place development. The centrepiece of this ambitious project will be the National Indoor Arena, a sports complex capable of accommodating practically all national and international events.

Also in Brindley Place will be canal-side shopping, a national aquarium, cinemas incorporating the latest screen technology, a two-star family hotel, offices, and car-parking.

Debt charges on the cost of constructing the convention centre mean it is unlikely to make money for years. But Birmingham believes modest losses are justifiable when set against the creation of 2,800 new jobs and the £54m worth of spending the convention centre is expected to bring to the region.

The centre will be chasing both the main categories of convention business: association conferences, typified by the annual meetings of professional bodies and business associations; and corporate conferences of the type that accompany product launches and sales motivation campaigns.

Probably about 65 per cent of its business will come from the corporate side. At present, this is predominantly a domestic marketplace, but the convention centre believes it will take an expanding slug of European business as its reputation spreads.

Although fewer in number, association conferences are larger in scale and broader in their international horizons. It is on this side of the business that the convention centre will be competing on a global scale.

Association conferences frequently run to several thousand delegates, more than any single hall in the convention centre will accommodate. But it is here that the National Indoor Arena will come into play: with 8,000 tiered seats and room for 4,000 on the arena floor, it will be able to accommodate most world-scale conferences.

The convention centre is coy about the number of bookings it has so far secured. Corporate conferences operate on short lead times, it says: but on the association side, the International Olympic Committee's conference will open the centre in June 1991, followed by 'Rescue 1991', an international conference of life-saving organisations, the same month.

The real coup would be for the convention centre to get itself on the UK party political roster alongside Brighton and Blackpool, but it has not swung the argument yet. Meanwhile the only other convention it publicly claims is the World Genetics Conference in 1993.

Like the NEC in its construction phase, the convention centre is getting its fair share of barracking. When The Prince of Wales described it as an unmitigated disaster, he was referring to it architecturally: but others *fear* the phrase could aptly describe the financial outlook, too.

Both views may be overly pessimistic. The architects' model does indeed look grim, but as the buildings themselves take shape, they are beginning to assume a hint of magnificence.

On the financial front, the convention centre is being launched into a world market said to be worth £40bn a year and growing at 16 per cent annually. It is unique in the UK and *at least* as well researched as the NEC. Nobody can be sure it will succeed — but if it does, it will be the making of modern Birmingham.

Richard Tomkins

ACCOUNTANCY SERVICES

Pattern of growth changes

ACCOUNTANTS, unlike their clients, seem to coast through bad times and good with no outward sign of suffering. Those in Birmingham are no exception. It is hard to find any who say they laid off staff during the recession. Most talk of uninterrupted profit and staff growth.

There is an element of bravado in this, but it reveals a perennial truth: professionals thrive on change, regardless of whether their clients are thriving.

The good times, of course, are a lot more profitable than the bad. For the past two years the fee income of some large accountancy firms in Birmingham has been growing at around 30 per cent. Staff numbers are also moving strongly ahead. Coopers & Lybrand, for instance, has 400 staff, compared with around 320 a year ago. This time next year it expects to have 500.

While growth has been consistent through both good and bad years, the pattern of growth has changed. Most obviously, insolvency departments built up during the recession have either been wound down or renamed. "Corporate recovery" is the most common new label, reflecting the work such departments do helping banks keep their troublesome clients solvent in the first place. The "insolvency" tag has been set aside for a rainy day.

Less obviously, growth is coming from a different type of client and a new range of services. The Birmingham offices of the largest accountancy firms once focused on the largest West Midlands-based companies, of which there were plenty to share around. Many of these companies have now either disappeared or cut back much of their local activity. Smaller businesses have come to the fore, bringing a demand for a new range of services.

Large companies mainly need there accountants to help them control their various operations. Smaller ones need them to help them grow.

This change has opened up the market for accountancy services in the West Midlands. The old distinction between large firms serving large clients and small ones small clients, always an oversimplification, is now less true than ever.

Coopers & Lybrand, for instance, has 35 people working full-time in its small business department. These people are in direct competition to smaller firms of accountants, but with one advantage: they have behind them nationally developed "products" for small companies.

The disappearance or shrinking of some large local companies and emergence of many smaller ones to take their place has also opened the market in another way: the largest local accountants (Peat Marwick McLintock, Price Waterhouse and Coopers & Lybrand) can no longer rely on a stable and sizeable market share but have to fight for new business alongside other, less well-established firms.

The signs at the moment, though, are that the large local firms are holding on to and even growing their market shares. Peat, which already stands head and shoulders above others in the region with a total staff of 760 in Birmingham, saw its fee income grow by a quarter to £25m last year. Its fee growth alone almost matched the entire local fee income of a smaller competitor, Arthur Andersen. As a business in its own right, Peat's Birmingham office would rank as one of the country's top 15 accountancy firms.

These comparisons point to an important fact about professionals in the City. Mr John Adcock, deputy senior partner of Peat's national firm, remembers joining the Birmingham office 43 years ago when it had one partner and 17 staff. Without a merchanting background like London, Bristol or Manchester, he says, Birmingham failed to develop its own financial services industry. Mr Wood-Scawen of Coopers echoes this: in the past, large local clients were served from London. That has now resoundingly changed.

Size may not be a virtue in its own right, but it brings powerful competitive advantages. The larger a firm, the wider the range of services it is able to support.

"You have to be a reasonable size to be able to afford breadth," says Mr Brian Wood-Scawen, head of corporate finance at Coopers & Lybrand. He points to the half dozen specialists in indirect tax at Coopers' Birmingham office as an example of that breadth.

Peat, Price Waterhouse and Coopers each has between 50 and 60 management consultants in the City. This concentration provides the scope to build teams of specialists which smaller firms are unable to support.

Demand for advice on international tax issues has also grown strongly, requiring far greater specialisation. "Our biggest clients have become much more international. There are fewer factories to audit in the West Midlands, but we tend to be closer now to their management throughout the world," says Mr Wood-Scawen. As a result, the range of services offered to clients' head offices in the West Midlands has had to change sharply.

It is this demand for a wider range of specialist skills that has given firms like Arthur Andersen a toe-hold in the city. Andersen is smaller than some locally based firms, but is amongst the leaders in tax consultancy or corporate finance – proof that it is possible to grow an accountancy business without a strong audit base.

Operating as full-service firms rather than audit outposts, Birmingham accountants now think of themselves as at least as good as their London counterparts – though the largest firms of accountants, being part of national networks, play down any hint of competition with their brethren in the capital. They are also about 35 per cent cheaper, according to most estimates. This is because their salary bills are between 10 and 15 per cent lower, and office space is still well under £10 a sq ft.

Richard Waters

LEGAL SERVICES

To merge or not to merge

THE BIGGEST question taxing the minds of solicitors in Birmingham is the same as that which troubles other lawyers around the country: will successful and substantial provincial law firms be forced eventually to become part of larger legal networks, in the process surrendering much of the control and the character that distinguishes them?

The question is particularly acute for Birmingham, where a handful of local firms believe themselves to be at least as prominent in their local market as larger City firms are in theirs. Through mergers and rapid internal growth, the city has four large commercial firms, each with up to 30 partners: Evershed & Thomkinson, Wragge & Co, Pinsent and Edge & Ellison.

The main difference between these firms is the proportion of other solicitors they employ – for instance an average of 1.5 assistants to every partner at Pinsent and 2.5 at Edge & Ellison. This gearing effect, while still far below that of leading City firms, where four to one is not uncommon, implies sharply different profitability at these firms – though those with higher gearing claim that their clients get as much attention from partners as those of other firms.

Birmingham also has, in Martineau Johnson and Needham & James, two firms aspiring to join the ranks of the leaders.

These half dozen firms have developed rapidly in the last five years and now claim to have the skills to handle any of the demands the largest local companies can throw at them.

Mr John Wardle, who has been senior partner of Edge & Ellison for the past 25 years, summarises it as follows: "The quality of work is here to attract good lawyering. It has grown dramatically over the last five years for a lot of people." One or two have been involved in such work for years: Mr Wardle himself, for instance, recalls handling a handful of flotations a year in the mid to early 1960s. He is now no longer the exception in the Birmingham legal community.

The lawyers' claims are confirmed by other local professionals, their best source of work. According to one active corporate financier: "There must be some esoteric things they can't do. But I prefer wherever possible to use Birmingham lawyers to London lawyers. They are more responsive, and you get attention from partners, rather than being passed down the line to more junior staff."

Such testimonials add weight to the lawyers' claims that they are regaining work lost in previous years to the City. Coming at a time of frenetic economic activity, bringing particular demand for legal services related to corporate finance work and commercial property development, this has led to a rush of work that has left the lawyers gasping for breath.

Sir Patrick Lawrence, another prominent figure in the local legal community and senior partner of Wragge, summarises the gist of work as follows: "For 40 years people have been telling me that I have been earning too much. For the first 38 they were wrong." The difference now is not that his fees, and those of other lawyers, have gone up, but that they are working far harder than in the past – fee income has grown at a compound rate of 35 per cent in the past three years, he says. The volume work has soared, but the staff available to do the work has failed to keep pace.

Reports vary on how difficult it is to find new recruits, though most agree that Birmingham has become more attractive in recent years to lawyers who otherwise would work in London. Nevertheless, the shortage is still acute: Pinsent, a firm which has 40 assistant solicitors, says it is up to 20 short at present.

The growth in recent years masks a longer-term challenge for the lawyers, though. How important is it that they form links or merge with other law firms around the country and internationally? The isolation in which they have thrived in the past may be about to end.

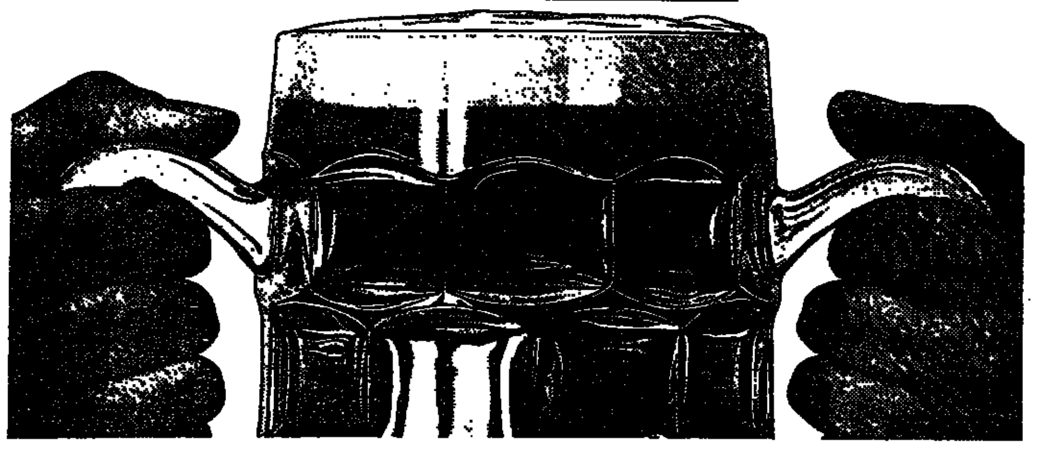
The advocates of networks point to the extra resources a group of firms can bring to bear on things like training and information technology. Associations like the M5 group, whose Birmingham member is Wragge, claim that this gives them important economies of scale.

But how important is it for these firms to develop national networks of offices? Mr Wardle of Edge & Ellison says that a company buys most of its legal services at one point: its head office. There is no need for a firm of lawyers to set up outposts around the country following their clients' subsidiary operations, as accountants have done. And why go fishing in someone else's pond when your resources are more than tied up on existing business?

This may be true when the market for legal services if growing fast, but what if it slows down? Accountants may have followed their largest clients around the country, but have since built up a base of local business. For instance Arthur Andersen, in Birmingham for only 15 years, still relies for 40 per cent of its fees on work referred to it by other Andersen offices. But Coopers, which came to the city more than 25 years ago, now generates more than 90 per cent of its fees locally, and passes as much work to other Coopers offices as it receives from them.

The extreme example is Peat Marwick: it is effectively a collection of regional firms operating under a common name, sharing profits locally rather than nationally (it is often referred to disparagingly as a "franchise" by other accountants). The opportunity exists, some lawyers believe, to establish a similar national name and presence, shutting out firms which stick to their local last. The case, though, has yet to be proven either way.

Richard Waters



VENTURE CAPITAL

Ample local expertise

VENTURE CAPITAL – in contrast to more the general merchant banking industry – appears a natural for localised services.

Such investment activity is, after all, a matter of detailed study; conducted well away from the City's capital markets; and an area which requires particularly close contact between the investing and the business itself.

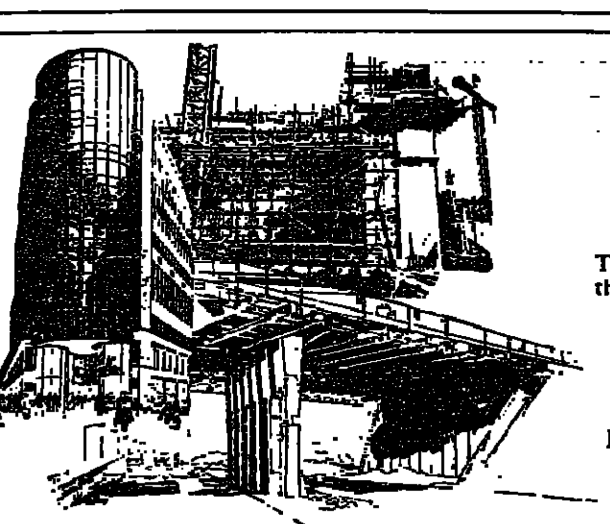
It is not surprising, therefore, to find Birmingham well supplied with expertise. There are the venture capital organisations themselves, the most prominent of which is probably 3i; a raft of broader financial organisations, ranging from stockbrokers Albert E Sharp to the merchant banks, who have seen the wisdom of branching into this area; and the "public sector" in the form of the West Midlands Enterprise Board.

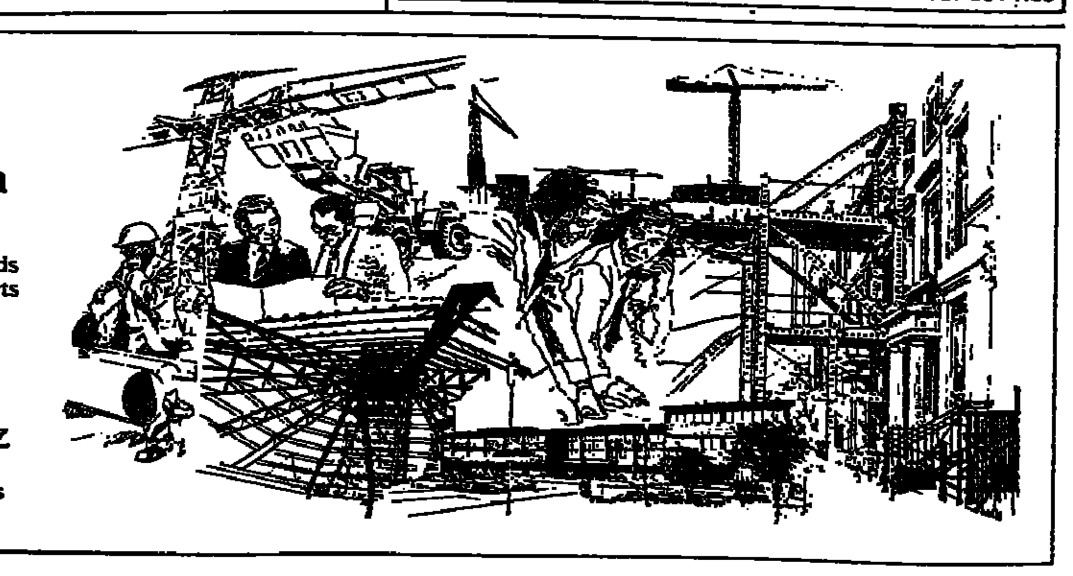
The industry, moreover, is both chunky and long-established, having accelerated significantly in the seventies on the back of the management buy-out trend. While recession may have been highly detrimental to West Midlands industry generally during this period, the pressures on companies to streamline activities creates a host of venture/development capital opportunities.

3i, for example, which has maintained a presence in Birmingham since the early-fifties, announced that it was supporting its 100th management buy-out team in the West Midlands in October this year. The deal in question is worth noting as a fairly typical example of how regional venture capital can step in. In 1987, the quoted Newman Tonks group – a fairly acquisitive Midlands-based door supplies and building supplies company – took over Peerless. The food packaging interests, however, had little fit with Newman's core business and was sold on to management for £16m, with backing from the local venture capitalists. Those featuring included 3i, County NatWest and MIM.

The Peerless Plastics Pack-

Continued on Page 5





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STOCKBROKING

An easier retrenchment

THIS YEAR has been a lousy year for stockbrokers generally. In the wake of the October stockmarket crash, volumes of trading have been low, both on the institutional and the private client sides, and the new issue market has reduced significantly.

But although these chilly winds have blown through Birmingham, the local stockbroking fraternity feels it has been able to retrench more easily than the larger City firms because of its lower cost base and current trends in private client business. Top London-based firms have deliberately deterred all but the richest private clients by increasing minimum charges and/or imposing higher minimum portfolio sizes, and the regional stockbrokers have seen scope for picking up the work.

Birmingham is probably the best broked centre outside London itself. There are 11 firms of stockbrokers in the city, most of them concentrating on the private client side; one branch office for Bristol brokers Stock Beech; plus the ShareLink dealing-only service.

By far the largest broking operation is Albert E Sharp, which has an established reputation on the research side – although it lost its place in the 1988 Extel rankings. Sharp draws most of its income from non-private clients. Of the predominantly private client firms, Smith Keen Cutler ranks as number one, followed by Murray & Co and then a raft of smaller firms.

Amongst this latter group, a number have seen ownership changes recently. Smith Keen Cutler, for example, linked up with the Midland Bank/W Greenwell combine back in the Big Bang marriage days, while Murray & Co has become part of Allied Provincial Stockbrokers, one of the two groupings of regional brokers. Margetts & Addenbrooke belongs to National Investment Group, the other.

Some changes have been more recent still. A few weeks ago, Lloyds Bank Stockbrokers acquired Chambers & Remington for an undisclosed sum. LBS itself describes the move as a prudent expansion of its capacity. The clearer had always used a panel of brokers – including Chambers – when customers requested transactions. However, it found that a number of City firms opted out in the high volume days of 1986/7 and also decided, from its own viewpoint, that additional capacity was advisable. Accordingly, the relationship is being cemented, although the Chambers name will be kept.

Fyshe Horton Finney is another firm of local brokers to see upheavals. Again, in the pre-Big Bang days, Mr Michael Ashcroft's Hawley Group (now the Bermuda-based ADT Group) acquired a 29.9 per cent interest. In 1986, FHF Marker Makers, Birmingham's only market-maker, was set up, again with Hawley's backing.

Pre-crash, according to FHF, there was some discussion about Hawley severing its links. The break, however, actually came earlier this month when the two firms were bought out by Second City Securities, a newly-formed company with equity backing from the managements of both companies. Mr Frank Kelling, formerly the senior partner of FHF, becomes chairman and managing director of both.

The one business which has remained aloof from this general marriage whirl is Albert E Sharp. Senior partner Mr Simon Sharp concedes that there have been some approaches, which he describes as "always comforting." However, Sharp recently converted to plc status, a move which it readily concedes can be seen as a preliminary step towards flotation in the next few years.

Although clearly lacking any market-making facility, Sharp is the nearest thing to a local "integrated house". Very broadly, it divides its income between corporate business (15 per cent); venture capital (10 per cent); financial services (10 per cent); and agency broking commissions 65-70 per cent. Of the latter, it suggests that private client work accounts for under half. Amongst the firm's on-going, larger corporate clients are Glynwed, Wolesey, Central TV and Dowling & Mills. In total, it has 55.

While the new issue front ebbed somewhat in the 1970s, it has been a fruitful area more recently. Even since the crash, Sharp has been involved in 16 stockmarket debuts. Viewed more broadly, in 1987/88 there have been about two dozen Midlands-based companies coming to market either through placings or offers for sale. Sharp has featured in about half the total number – and certainly has a larger presence than any other player.

The private client side, less happy at present, has not been neglected. Perhaps the most innovative move on this front was Sharp's backing for ShareLink, the telephone share dealing company in which it now holds a 32 per cent stake with British Telecom holding a majority 64 per cent. The service is now reckoned to have about 26,000 clients, about 2 per cent of the total market.

Minimum commission is a remarkably user-friendly £15, and not surprisingly, the project has yet to make money.

But even the cheerful faces at Sharp admit the private client business has not been the best area of late. The business has, says Mr Sharp, just broken even, while the company as a whole is "ahead of profit targets". Further, he declines to be drawn. Other Birmingham brokers are equally willing to admit the picture has been less bright. "I'm very suspicious," says Mr Nigel Harrison at Smith Keen Cutler," of people who say life has been a bed of roses." Where some hopes do lie, however, is in the thought that a weeding out of overcapacity in the industry combined with City's reluctance to take on the smaller private clients will create new customers for the regional brokers.

Nikki Tait

Local expertise

Continued from Page 4

aging buyout also brings home a further aspect which the regional venture capital industry boast with some pride: the ability to syndicate venture capital deals within the region. Certainly, sums being put up by locally-based institutions are not insignificant: Mr Peter Williams at 3i puts the annual inflow at over £70m.

The West Midlands Enterprise Board operates from a slightly different perspective. It was set up in 1986 by the West Midland County Council to provide investment funds specifically to medium-sized manufacturing industries on a long-term (seven to ten-year) basis. While the WMEB usually requires equity involvement, it generally takes minority holdings. Sums put up tend to be smaller than those of the mainstream venture capital organisations – typically between £100,000 and £750,000.

Funding was originally restricted to seven district councils, but need/opportunities in a broader area have since become apparent. Hence the birth of the West Midlands Regional Unit Trust, a £10m institutionally-held vehicle which extends to Herefordshire and Staffordshire. Smaller funds have also been developed with local county councils – Coventry, Warwick and, most recently, a Black Country fund. This last vehicle will have funds of around £400,000 – half of which come from four county councils and the remainder from the WMEB itself.

Nikki Tait

MERCHANT BANKING

Nursery for the future

The key members of Birmingham's financial community are grouped together in the West Midlands International Investment & Merchant Bankers' Association. Left to right, five committee members: Mr Maurice Maleh of Banque Nationale de Paris; Mr Peter Williams of 3i, Mr John Barker (the association's chairman) of Kleinwort Benson; Mr Roy Clifford of the Bank of England, and Mr David Hammond of Barclays Bank International Services.

MERCHANT banking, by its very nature, seems to evoke City portals and mahogany boardrooms. Since, in the UK at least, so much activity is equity-based, London would appear the natural place for such activity and services to reside.

What, then, is the role of merchant banking in England's second city?

At the outset, it should be noted that the presence of individual merchant banks in Birmingham has been something of a movable feast in recent decades. At one stage, the American investment houses were conspicuous – the likes of Bankers Trust, Bank of America, and so on. Today, these have largely departed. A number of UK merchant banks have also come and – at least, in terms of any strong presence – gone. Here, the names might include Charterhouse, for example, or Hill Samuel.

Nor, it should be said, do many of the top-line corporate finance houses have much regional representation. The triumvirate of S. G. Warburg, Schroder Wagg and Morgan Grenfell, which have dominated the merger and acquisitions tables for the past few years are conspicuously absent, although Kleinwort Benson does have a long-established Birmingham office.

That said, it would be a mistake to conclude Birmingham-based merchant banking activity is dead. On the contrary, the merchant banking arms of the clearing banks - BZW, County NatWest and Lloyds Merchant Bank - are well-represented and busy, and a number of smaller merchant banks have active branch offices.

Moreover, if "merchant banking" is taken its broadest sense, it is worth noting that a number of indigenous business, like stockbrokers Albert E Sharp, have made inroads into this area, and that some formidable investing institutions, like 3i, also have a significant presence. The recently-formed West Midlands International, Investment and Merchant Bankers' Association counts some two dozen members - including some overseas bank representatives.

The one point which all players on the Birmingham scene tend to stress is the strength of the ancilliary services. The city, they argue, is well serviced by both the rapidly expanding accountancy firms and a good supply of legal facilities. "I'd be as comfortable with the local expertise as with any London firm," remarks Mr Keith White, director at County NatWest.

With this in mind, the local industry maintains that it is both possible and efficient to service Midlands-based companies on their doorstep, saving the hassle and time-wasting which a regular succession of trips to London can entail. In short, local merchant banking services can be sold on sheer convenience.

Local offices can also be justified as a useful conduit to the more daunting City-based organisation. There seems little doubt that some organisations see their regional representation as a means of attracting small and medium-sized companies on to their client lists. The local representatives provide a less forbidding face, supply valuable local knowledge, and act, to a certain extent, as cultural interpreter.

Certainly, the balance of activity undertaken by the Birmingham-based merchant banks offices is slightly different to that of their head offices. Far more emphasis is put on the supply of fairly modest funds, and on the management buy-out/development capital role. But even those most active at the local level concede that a client caught up in contested bid activity, for example, would tend to be advised predominantly by their City office.

The usefulness and the extent of the local development capital role – though lacking the glamour of mega-bids – should not be underestimated. Deals, though scarcely chunky in City terms, can be significant. County's Birmingham office, for example, boast the $26m buy-out of Vulcan Materials, now renamed AMG Industries.

And local players would argue that it is this sort of work which can – with a bit of patience – lead to future opportunities. After all, of the 20-odd Midlands companies coming to market in 1987 and 1988, the majority were sponsored by Birmingham-based organisations. "This," says one merchant banker expansively, "is my nursery for the future."

Nikki Tait

The surplus space of the mid-1980s has all been mopped up

Office rents rise attracts investors

DEMAND FOR offices in Birmingham has been such that, in some cases, estate agents have signed up leases before they have had time to print up the particulars of the property.

It does not happen all the time, but it does denote a major change in the market since the mid-1980s. Then, recalled *Michael Corbett of* Grimley JR Eve, chartered surveyors, there was two years supply of space on the market, based on an absorption rate of between 250,000 and 500,000 sq ft a year.

In those days there was only a small demand for large chunks of space. Now there is very little large space to lease anyway. "There will be a space shortage for the next two years, so rents will rise considerably," predicted Simon Quantrill of Chesterton, chartered surveyors.

From about 1985 the surplus space on the market – and in this respect Birmingham was little different from other regional centres – has been mopped up. The accountants were the first to move in, followed by the banks, insurance and computer companies, and finally the solicitors. The demand has largely been local, in response to the growth of the economy, even if some has come from the area branches of national companies. There has not been a flood of companies migrating from London.

There are hopes in Birmingham that local demand will be underpinned by decentralisation from London. Mr Corbett conceded that such hopes have been expressed before and not realised. Still, accommodation costs have been climbing *sharply in the South* East and the economic arguments in favour of cheaper centres have never been stronger.

So far though companies migrating from London have tended not to move very far and Birmingham has certainly not been a favoured destination. But the Property Services Agency, on behalf of the Government, is believed to be looking for 350,000 sq ft in the area and major financial institutions have been seeking to move administrative staff out of high-cost London locations.

For the moment the whole question is a little academic because there is nowhere for them to go. Grimley JR Eve has calculated that, in units of more than 5000 sq ft, the total amount of accommodation currently available in central Birmingham is just over 80,000 sq ft.

Seen against a total office stock, put by the Birmingham City Council at 17m sq ft, this is a tiny amount, making Birmingham a mirror image of the City of London last year. But the shortage has in its turn *stimulated* development.

Existing construction plans mean that a further 413,500 sq ft should come on stream in the city centre and a further 297,000 sq ft in Edgbaston, the nearest other location, by the end of next year. But, noted

"The agent's barrier of £10 a sq ft came and went like a pussy cat some months ago"

Grimley JR Eve, only 176,500 sq ft in the city centre and 135,000 sq ft in Edgbaston are actually available: the balance of the projected space has been pre-let. Again a mirror image of central London.

Only two of these schemes are more than 100,000 sq ft in size – a development by Wesleyan and General Assurance in the city centre, half of which is for its own occupation with the rest under offer, and another by Embassy Developments in Edgbaston that will offer small units, most of which have been pre-let or reserved.

Over the longer term, there are plans for nearly 1m sq ft of development including devel*opments of over 100,000 sq ft* by Barclays Bank, Henry Boot, British Rail, MEPC and John Laing Developments – the last just selected by the Post Office for the refurbishment of its main Birmingham building which will have 150,000 sq ft of office space.

What has prompted all this activity, after some years of sluggishness in the development market, has been the rise in rents as the space shortage has bitten. "The agents' barrier of £10 a sq ft came and went like a pussy cat some months ago," said Mr Corbett. Grimley JR Eve has done a deal at £15, while Chesterton has a property under offer at the same figure.

Those figures apply to the city centre, but nearby Solihull's costs are much the same. Rents in Edgbaston tend to be lower but have touched £10 a sq ft. Now there is talk of prime properties fetching £20 a sq ft before the market reaches a plateau.

But the higher level of rents has not only drawn in developers. It also heightened investment interest in the market. This was probably inevitable. Institutional buying interest has tended to spread out from London this year, helping a narrowing of yields on prime properties to about 6 per cent.

Individual and corporate interest has also spread to the secondary office market, coming from local and London sources, where it has been possible because of the earlier low base of rents to acquire buildings for relatively modest sums, refurbish them and double the revenue stream.

The strength of the market overall is now prompting fears that potential city occupiers might be pushed out to lower cost areas like Coventry and Redditch. Some competition is in any case coming from ventures like the Birmingham Business Park of Arlington Securities, the plans of Erostin Developments to build a new complex close to the airport – although there are planning constraints on both of these – and the plans of Richardson Developments to add 300,000 sq ft of offices to the retail and leisure complex at Merry Hill, Dudley. The physical shape of the Birmingham office scene is, in any case, on the verge of change. Work to put the inner ring road underground and pedestrians overground will break the collar around the city centre. At the same time the developing International Convention Centre, just outside the inner ring road, with all of its commercial ramifications will act as a bridge between the city centre and Edgbaston. This should help to create a more unified market.

Paul Cheeseright

RETAIL PROPERTY

Developers swoop

DEVELOPERS have swooped down on Birmingham and if all their schemes come to fruition then the retail landscape will change significantly. But it remains to be seen whether the hopes of 1986 and 1987 will look quite so bright in 1989 and 1990.

The importance of Birmingham as a regional shopping centre *goes without saying* and that is not going to change because of blips on the economic picture. But the Government is trying to rein in consumer expenditure through higher interest rates, and retailers are beginning to feel their margins tighten.

With large amounts of new space coming through, or into, the Birmingham pipeline and retail wholeheartedly adopted as a means of urban regeneration, it would be unnatural if there were not some disappointments, some delays in winning the anticipated yields, somewhere in Birmingham over the short/medium term.

It is perhaps significant that one major retail investment possibility in Birmingham has been on the market for several months and has not been taken up. This is the Bryant development of The Pavilions, funded by Royal Life – a 250,000 sq ft shopping centre which opened in 1987 and which has drawn in record rents for the area. Some leases have been signed up at £150 a sq ft Zone A.

The Pavilions though, allied to the refurbishment of The Pallisades by the Norwich Union, arguably marked the start of the retail renaissance of central Birmingham. They have been followed by the opening this month of Ladbroke City and County's City Plaza, which combines specialised shopping facilities with an office development.

Construction has started on the redevelopment by Color Properties and Rush & Tompkins of a former Debenhams store and Avatar, the joint venture company of London and Edinburgh Trust and Balfour Beatty, has a retail element in its Moor Street scheme, adjacent to the Bull Ring.

The Bull Ring is the best known of the Birmingham shopping centres. London and Edinburgh Trust bought it from Laing Properties last year and since then has been working on designs – more than 20 different schemes so far – for its redevelopment.

Outline planning consent is already in place for what will be the largest of Birmingham's new generation shopping schemes at more than 1m sq ft and Mr Nicholas Ridley, the Environment Secretary, has decided not to intervene. Construction should start in 1990 on the project which will be called The Galleries. This is one of those schemes on which Prince Charles keeps an eye.

The next major scheme is part of the Convention Centre development. The Birmingham City Council selected a consortium of Merlin International, Shearwater, the Rosehaugh subsidiary and Laing to develop 26 acres. The development will include a festival marketplace, jargon for speciality shopping leavened with entertainment as at Covent Garden in London, of 150,000 sq ft and a further 50,000 sq ft of ancillary shopping.

With all of this going on in the city centre, it is not surprising that Birmingham City Council has decided to oppose the competition implicit in the application from George Harris and Associates, backed financially by Standard Life, for a new 830,000 sq ft complex outside the city centre at Fort Dunlop. The public planning inquiry will be next year.

So far the only major out-of-town shopping centre in the Birmingham area is the Richardson Developments' Merry Hill project at Dudley, in the Enterprise Zone, where more than 1m sq ft is being welded on to what was basically a retail warehousing operation.

Planning consent also exists for a major centre at Sandwell, but the failure of Color Properties to get the project off the ground and the subsequent failure of the local authority to reach a development agreement *with Cameron Hall* Developments, has meant a new selection process is underway to find a developer.

Meanwhile the push for retail warehousing sites goes on. Lack of sites has prevented the spread of retail warehousing parks although there are plenty of first generation single warehouses.

Paul Cheeseright

INDUSTRIAL PROPERTY

Surplus space eaten up

ANYBODY who had suggested three years ago that it would be possible to sign up tenants for industrial and warehouse property on a 25-year lease or that there would be an active demand for freeholds would have been seen as crazy.

But the Birmingham market, a case of peaks and troughs if ever there was one, has been climbing to the highs again. Simon Lloyd of Chesterton, chartered surveyors, noted that his company had 1.5m sq ft of industrials on its books in 1979. That rose to a whopping 11m sq ft in 1982. Now it is down to 500,000 sq ft.

Birmingham City Council has calculated that, overall, industrial and warehouse space fell during 1987 from 7.3m sq ft to 4.1m sq ft, and, in the first three quarters of this year, fell again to 1.6m sq ft.

This experience is not exceptional. The West Midlands economy has been reviving in line with the national economy. King and Co, chartered surveyors, has demonstrated that the amount of industrial floorspace available in England and Wales has declined steadily since the last quarter of 1982.

At any rate, agents no longer have to offer inducements, like rent-free periods and short leases, to persuade companies to take space. Demand has eaten into the over-supply and although construction costs have risen, rents for new properties have been reaching the point where developers feel secure enough to build new space.

"The magic figure is £3.50 to encourage development," said Michael Glover of Chesterton. For new property rents are being quoted in the £4.00-£4.50 range, for modern property between £2.50 and £3.00 and for old property up to £2.00.

These rents have been reached against the background of a transformation in the economic base. As the importance of heavy engineering has declined, large plants

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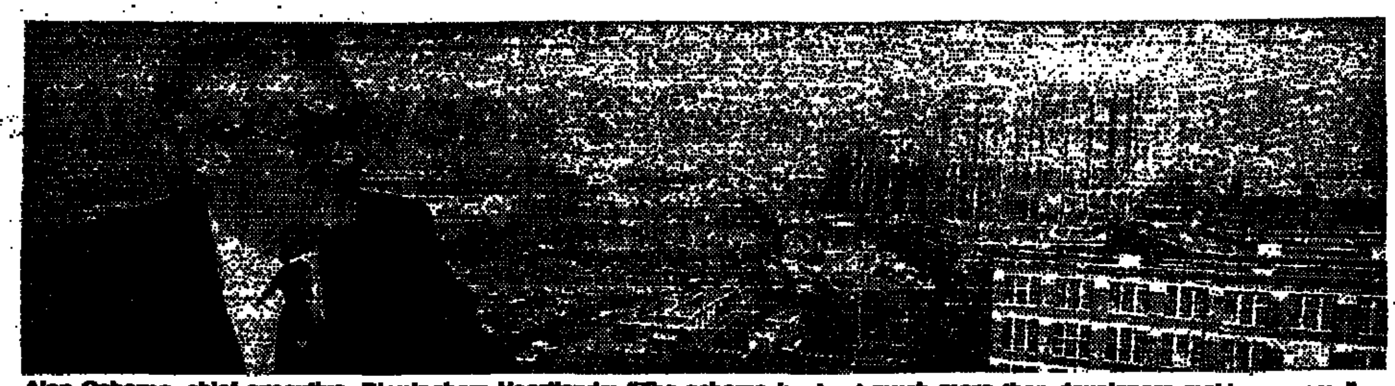


Alan Osborne, chief executive, Birmingham Heartlands: "The scheme is about much more than developers making money."

Birmingham Heartlands

A pioneering partnership

THE SIXTH floor Birmingham office of Mr Alan Osborne, chairman of Tarmac Construction, does not command the kind of view to arouse jealousy among his executive colleagues.

Straight ahead stand three of Europe's largest gasometers; a rundown and underused canal is on the left; and the rest of the landscape is littered with a motley collection of industrial buildings and high-rise flats.

"It is not the garden centre of the world," admits Mr Osborne. If he gets his way, however, both the view and the area as a whole will be radically improved.

As well as chairing Tarmac's construction subsidiary, Mr Osborne is chief executive of Birmingham Heartlands, a pioneering partnership between Birmingham city council and the private sector to transform 2,300 acres of one of the city's most depressed areas into a thriving centre for commerce, industry and the local community.

The £1bn development plans for parts of Saltley, Aston and Nechells, to the east of the city centre, include the creation of a high quality offices and hotel complex, retailing centres, a variety of industrial premises, leisure facilities such as a water sports complex and a National Floral Centre, and about 1,000 new homes.

Many of the Heartlands area's 6,000 existing homes would be refurbished. The project also envisages environmental improvements such as the screening of unsightly areas, the planting of trees, renovating the canal system and even repainting the gasometers.

If all goes according to plan, the project would create between 18,000 and 20,000 jobs within 10 years and many of these would be taken by the 16,500 residents in the four by one mile area encompassed by the project.

Set up last February, Birmingham Heartlands is a private company which is owned by the city council (35 per cent), Birmingham chamber of commerce (1 per cent) and five construction companies – Bryant, Robert M. Douglas, Galliford, all of which are local, and Tarmac and George Wimpey – who have equal shares of the remaining 64 per cent.

It has no direct powers over the area it seeks to transform; its role is to co-ordinate, persuade and cajole the council, the government, local landowners and other developers to ensure the success of the scheme.

Labour-controlled Birmingham is perhaps not the most likely setting for an innovatory project to test the Government's ideas for encouraging private enterprise to take a more active role in inner city regeneration. The council, however, was attracted to the scheme partly because it was seen as an alternative to a government-imposed urban development corporation (UDC).

Under the Heartlands scheme the city retains the planning powers it would have lost over the area had a UDC been established. And, although the project will cost the city money in infrastructural development, between £9m and £12m is expected to be provided by the five construction companies for seedcorn investments over the 10-year development period. What is in it for them?

Certainly there is nothing in the immediate history of the area to inspire confidence. In the last 10 years, local industry declined markedly and the number of jobs has fallen by a half to 9,000.

Although internal transport communications in the area are poor, external links are potentially excellent because of the closeness of Spaghetti Junction and subsequent access to Britain's motorway network. Aston science park and the nearness of the ICC itself could also prove a carrot to companies considering locating in Heartlands.

For the five construction companies, there is a certain amount of pride and prestige attached to taking up the Government's call for business to involve itself more closely with local communities. But they would presumably not be doing it unless they thought they had a good chance of recovering their £9m to £12m seedcorn investment and a good deal more besides.

The five companies aim to recoup the seedcorn capital by charging, through the Heartlands company, fees to the landowners property owners who make money by taking part in the scheme. But if all goes well the five will make bigger profits from their individual construction projects in the area.

Perhaps Heartlands' most difficult task is to persuade the Government that it is worth the £150m of state funds estimated as being necessary for infrastructural development such as developing trunk roads, treating industrially contaminated areas and diverting and replacing obsolete or run-down services.

Mr Osborne believes the Government would tolerate a state funds/private funds spending ratio of 5 to 1 but in the initial stages it may have to be more like 2 to 1. Unlike the UDCs, which are allocated a fixed amount each year, Heartlands will have to apply for grants on a case by case basis.

Although Mr Nicholas Ridley, Environment Secretary, championed the scheme and his Cabinet colleagues strongly support it, they will want to be convinced that Heartlands is meeting its objectives as they consider each application.

Heartlands also has to persuade more local landowners that it is worth their while taking part. Land ownership in the area is widely spread.

So far about 130 acres are in the land pools which Heartlands is organising. Much of this is in the prime sites which are needed for the project to succeed but perhaps another 70 acres are needed for the full targets to be met.

In addition Heartlands needs to win the support of residents. Local people are concerned that too much emphasis is being given to the needs of business and not enough to the community.

The Heartlands Residents' Action Group also fears that outsiders will fill many of the jobs created because of skills mismatches. The census of 1981 showed that less than 5 per cent of jobs in the area were occupied by local residents.

Heartlands is hoping that a community trust will be set up, comprising representatives from business, the council and the residents, to protect the interests of residents. It also sees one of its major roles as co-ordinating a series of initiatives to match education and training to future employment needs.

A training centre is planned and companies involved in Heartlands are being encouraged to form employment compacts with local schools.

All of this, says Mr Osborne, is vital to the ultimate success of Heartlands. "The scheme is about much more than developers making money," he says. "In the end our success will be judged on the number of jobs we create, how many of them are filled by local people, and the environmental improvements which are made to the area."

Michael Smith

NEW HOTELS

Sprouting up

HOTELS are, or will be if existing plans hold firm, sprouting up all over Birmingham. This not only involves an extension to the Metropole at the National Exhibition Centre or the development of Hyatt Regency in the city centre. It also involves providing hotels in wider property schemes.

Thus there will be hotels in the Avatar development near to the Bull Ring and in the Merlin-Shearwater-Laing scheme adjacent to the Convention Centre. By the early 1990s, apart from these specific projects, there will be ten other new hotels, major refurbishments or extensions.

Over the longer term, where the plans are more shadowy, the Aston Science Park might have a hotel and the National Exhibition Centre might have a motel. Warwickshire County Cricket Club is mulling over the prospects for a hotel at the Edgbaston cricket ground, and if the Fort Dunlop shopping complex is ever built there will probably be one there too.

SHELTERED HOMES

Surge of activity

THE PLANNING department at the Birmingham City Council is said to be inundated with plans for new nursing homes. It is an indication of the surge of activity both for nursing homes and for residential homes catering for the elderly.

Most of this activity has come from contractors or from small private companies especially set up for the purpose, so the actual extent of it is difficult to monitor. But, from the developers point of view, the homes need to be in highly populated areas so that there is ready access for staff and they will tend to be in the suburbs because of land prices.

Nursing and residential homes compete with the housebuilders for land, and prices have been running at around £1m an acre. Costs of development are comparable to those of a hotel with an addition, per room, for specialist equipment.

In the City of Birmingham there are 20 residential homes with 2,141 beds and 22 nursing homes with 581 beds in the voluntary and private sector. With public sector homes, they cater largely for the 15.2 per cent of Birmingham's near 1m population which is of pensionable age.

The splurge of activity in this sector, suggested James Hall of Chesterton, chartered surveyors, means that "saturation will be reached shortly - then the owners will have to upgrade quality." The City Council has meanwhile introduced guidelines which specify that the ratio of single to double rooms must be at least 75-25 in any residential home.

Surplus space

Continued from Page 6

have been either split up to provide the smaller units for light engineering and services or have simply been demolished to make way for new developments.

In all there is about 300 acres of industrial development land available in Birmingham although many of the sites are small. But land is being made available on and outside the periphery, encouraged by the Black Country strategic planning guidance from Mr Nicholas Ridley, the Environment Secretary.

To meet the needs of the Black Country short-term provision of about 60 hectares (148.25 acres) should be made for high quality industrial development, and not necessarily on one site, says the guidance.

The thrust here is for low density accommodation in a landscaped setting with easy access to the motorway system. Indeed, there appears to be no lack of demand in the market place. Motorway improvements like the northern ring road and the western orbital road have been spurring developers. Demand is strongest close to motorways with a particular burst of interest in the opportunities offered by the extension of the M40, to link London via Oxford.

This opens up the whole question of the B1 phenomenon, where industrial property shades into office property through the application of a general business category in the Use Classes Order.

The first and established manifestation of this phenomenon, once called high tech, was the Aston Science Park, a phased development by the University of Birmingham, the City of Birmingham and Lloyds Bank. The second generation has come through with Arlington Securities' Birmingham Business Park, where the first space available was taken by high technology companies, and now there are proposals from Erostin Developments for a new park near the airport and directed at the aviation industry and airport users.

Such development attracts rents at more than double the level for normal industrial property. It is a sign that developments, long associated with the M4 and M3 corridors further south have been spreading northwards.

But space is also being sought for distribution and warehousing facilities to take advantage of the same communications factors which interest business park users. The Midlands as a whole has been gaining in importance as a region for large-scale distribution points and this market affects Birmingham.

The most striking example is Magna Park, near the M1-M6 junction, a development by the Church Commissioners and Gazeley Properties, part of the Asda group. Another favoured area is near the M5-M6 junction, but space is much tighter.

Paul Cheeseright

BIRMINGHAM 8

Richard Tomkins reveals (with a nod to The Sun) the astonishing truth about Britain's second city

Twenty things you didn't know about Brum

● In 1086 the Domesday book recorded Birmingham as a place of 12 people and three ploughs with an estimated value of £1.

● The city today has a population of just under 1m and the city council's annual budget is £1bn – bigger than that of many nation states.

● The tap water in Birmingham is arguably the most delicious of any big city in the world. It comes fresh from the Elan Valley in Wales through giant pipelines.

● The rich ethnic diversity of Birmingham's population has given rise to the favourite local joke: "How can you tell a Brummie?" "By the shamrock in his turban."

● Birmingham Stock Exchange is the only one of England's seven stock exchanges still operating a trading floor.

● Birmingham's passion for roadbuilding may have disfigured the city but it keeps the traffic moving. Average rush-hour speed is 17.6 mph against 12.2 mph for London and 11.7 mph for Manchester.

● People in Birmingham are car crazy. The customary form of greeting on being introduced to a Brummie is not "How do you do?" but "How's the motor?"

● Last month hundreds of railway passengers and all the early morning trains had to be diverted from the city centre's Snow Hill station to another terminus when the man with the station keys failed to show up for work.

● Birmingham's origins are Anglo-Saxon. The name means the homestead (ham) of the family (ing) of Beorma.

● There are 175 companies in the city that have been in business for a century or more. The oldest – Firmin and Sons of Aston – was founded in 1677 and still makes badges and buttons.

● Bournville, the Quaker-inspired suburb of Birmingham built by the Cadbury family for workers at their chocolate factory, has no pubs.

● Prof Edward Hitchcock, the brilliant Birmingham neurologist who recently carried out the world's first brain tissue transplant, collects hats.

● A relic of the city's gun-making history lies in the Birmingham Gun Barrel Proof House in Digbeth – the only proof house outside London still testing guns for safety.

● Birmingham has more miles of canals than Venice (but not as many palaces).

● The city's extraordinary Corinthian town hall – copied from the Temple of Castor and Pollux in Rome – was designed in 1834 by Joseph Hansom, inventor of the cab that bears his name.

● Birmingham's World of Eating, a guide to local restaurants, devotes half a page to the cafeteria at Tesco's Five Ways superstore ("always generous helpings of kept-warm lunches – sausages, beef curry or the roast of the day; plenty of cakes").

● Neville Chamberlain, the former premier and son of the city's founding father, Joseph, was Lord Mayor of Birmingham from 1915 to 1917.

● Birmingham's two most famous present-day citizens are Denis Howell and Jasper Carrot, one of them a politician, the other a comic.

● Tiger, the cat that keeps the mouse population under control at Birmingham's council house, is a member of the National Union of Public Employees.

● If all the black puddings eaten in Birmingham in a single year were laid out end to end along the A47, they would stretch to Nuneaton and back three times and create a severe traffic hazard.

TOURISM

Tapping the potential

MENTION THE words "Birmingham tourism" to a group of people and the chances are that they will respond with a series of loud guffaws. For the city, however, bringing people to Birmingham is big business and it is playing a vital part in the regeneration of the area.

This year visitors are estimated by tourism officials to have spent more than £390m during their stays in and around the city. They have provided jobs, either directly or indirectly, for about 71,000 people or 10 per cent of the West Midlands urban area's working population.

Both tourism-related revenue and employment are growing fast and to cope with the expected demand at least 25 two star hotels or above are either being built or planned to add to the 150 which already exist.

Most of the visitors are, of course, drawn by the National Exhibition Centre and the city's other business-related facilities.

Birmingham is, however, trying hard to get the message across that it is more than just a place to hold meetings and exhibitions. A wide series of initiatives is in place or planned to both attract leisure tourists and to convince the business visitors that, once they are in the area, it is worth their while to stay around for a few extra days.

The campaign – which includes the staging of yearly events such as the Super Prix motor race in the city centre, the improvement and promotion of the city's 260-mile canal network and the sale of "warm-hearted weekends" in the city – is also aimed at ridding Birmingham of its dour and unattractive image.

The City was irked by Prince Charles' recent criticism of its architecture in a recent television programme but few claim that it is a place of great beauty. In selling itself to the world Birmingham has to stress qualities other than aesthetics.

The man charged with heading the promotion campaign is Mr Philippe Taylor, a former chief executive of the Scottish Tourist Board who now occupies the same post at the Birmingham Convention & Visitor Bureau.

His job is helped by exhibition and conference facilities which few, if any, British cities can match. However, Mr Taylor believes that that is not enough. "We have to go one stage beyond saying that Birmingham is an efficient place to have meetings and do business," he says. "We have to create an identity for the city. People do not come for a building; they come for a place."

It was this kind of thinking which led Mr Taylor to conceive the advertising slogan "Birmingham: The Big Heart of England".

The idea is that it is a warm, friendly place whose communications network and geographical position put it in within easy reaching distance of such places as Stratford-Upon-Avon, Warwick Castle and the Severn Valley.

The attractions of the city itself are listed in a bureau booklet entitled 101 Things To Do And See In Birmingham, which recommends the city's shopping facilities, museums and art galleries as well as visits to the National Motorcycle centre and Moseley Bog, "nine acres of wetland flora and fauna."

The last suggestion and the title of the book will no doubt bring a wry smile to the faces of cynics but the fact is that people do want to visit the city for itself. Since the bureau launched the city's warm-hearted weekends promotion last December more than 1,500 people have taken up the chance for a £20 a night stay in the city's hotels.

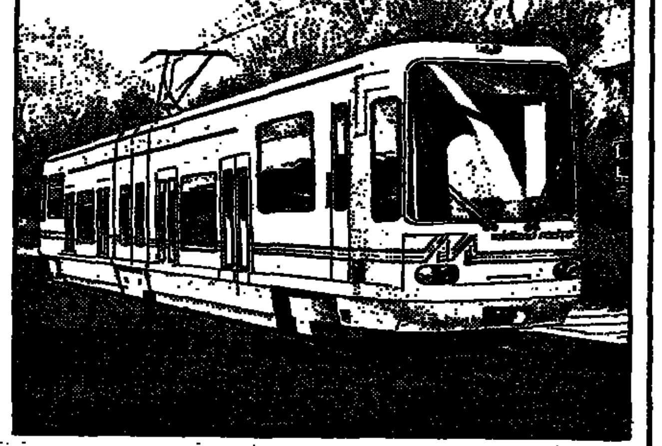
That number will undoubtedly increase as the £1.2bn worth of developments in Birmingham progress. City planners are determined to avoid the mistakes of their predecessors and in the current phase of development strong emphasis is being placed on the needs of pedestrians.

And at the International Convention Centre development 1 per cent of the expenditure budget has been set aside for the provision of works of art.

The building of the ICC has also prompted the city to hasten the process of tapping the potential of its canal system. Birmingham's waterway system will never rival that of Venice but parts of it will provide a focal point for visitors, allowing them to explore some of the city's industrial history and architecture.

Combined with events like the jazz festival and the Super Prix, the canals and rich industrial history can help put Birmingham on the tourism map and, hopefully, play a part in ridding the city of its colourless image.

Michael Smith



ENTERTAINMENT

Beer 'n' curry

MAKE NO mistake: if you are under 23, like loud music in crowded bars, and tend to round off the evening in a curry house with a meat vindaloo of uncertain provenance, then Birmingham is your kind of city.

In any other case the place could come as something of a disappointment, especially to those lured by the outpourings of its publicity machine. For all its attempts to convey the impression of a place bursting with art and entertainment, Birmingham still manages to live up to its reputation as a cultural void.

Its blandness is due to a combination of factors. One is that it has grown to its present size only in the last century or so; another, that its predominantly industrial base has not been conducive to artistic achievement; a third, that its proximity to London has discouraged the emergence of an independent cultural identity.

Its night life is the casualty of a more recent trend. Excellent road links and attractive surrounding countryside have encouraged people who might have supported a more sophisticated range of entertainment options to move out of the city into dormitory towns and villages. Once home in their cosy country cottages, they are reluctant to drive back into the centre for the evening.

The result is that Birmingham at night looks stricken by a neutron bomb: all the buildings still there, but the people destroyed. The only flurry of activity is between 10.30pm and 11pm when the pubs and bars disgorge their youthful clientele into the late night curry houses or the last buses back to the suburbs.

It would be wrong to suggest that there is nothing to do in the evening. True, there are only three cinemas left: but there are also three theatres, a lot of restaurants, some discotheques, and the city's pride and joy: Simon Rattle and the City of Birmingham Symphony Orchestra.

The visitor arriving in Birmingham today, however, might find his options limited. On the theatrical front, the Birmingham Repertory Theatre and Birmingham Hippodrome are closed for the week. The Alexandra Theatre, reknowned for its trouser-dropping farces of the Run-For-Your-Fur-Coat-And-No-Knickers-Please-We're-British genre, is open with a rib-tickling comedy called *"Happy event"*. But all three theatres are about the launch winter-long pantomime seasons.

Turning to music, Simon Rattle is world-renowned as a conductor and constitutes an enormous, if isolated, feather in Birmingham's cap. But as for seeing the man, it is a case of catch him if you can: he is only due to perform 17 times in Birmingham in the 1988/89 season, and the tickets were sold before the ink was dry.

Where food is concerned, few cities can have as many restaurants as Birmingham and yet remain such a gastronomic desert. The city is consistently slighted by the world's good food guides – none of its restaurants gets a single rosette in the latest Michelin guide or a star from Egon Ronay.

The city makes great play of its numerous Indian, Pakistani and Chinese restaurants, and these do offer good food at economical prices. Few, however, have the sort of ambience to attract the business visitor.

There are also considerable gaps in the range of eating options. There are no cheery bistros, no cafes that spill out onto the pavement in the summer, no Japanese restaurants despite the considerable Japanese presence in the Midlands. And worst of all, nothing that reflects Birmingham's heritage or offers any local character.

Late at night, too, there is a marked absence of throbbing. Forget the post-theatre dinner: 10.30pm is bedtime in Birmingham, and that is when the pubs and restaurants close.

There is little consolation to be found in the day. If you want to nonplus a Brummie, try arriving in the city with a couple of hours to spare and asking him what you should see.

Birmingham is a curiously soulless place, lacking the sense of history, tradition or culture that gives the world's more interesting cities their appeal. An awareness of this problem has prompted Birmingham to rediscover its canals and jewellery quarter, but there is an air of desperation about its efforts to exploit them.

There are interesting things to see around Birmingham – Stratford-upon-Avon, Warwick Castle, Ironbridge and the Black Country – but not in the city itself. The shops are functional and dull. The Art Gallery has a fine collection of Pre-Raphaelites and there is a good science museum, but that is just about it.

It is important to stress that local people are largely content with what Birmingham can offer and that few of these shortcomings would matter a jot were it not for the city's aspirations to international status.

Birmingham has nevertheless staked its future on the degree to which it can attract business tourism from the rest of the UK and overseas, so its ability to entertain is vital. It is making an effort with events such as its jazz festival, the Super Prix road race and a readers and writers festival: but a gulf still separates it from cultural parity with the likes of Frankfurt, Barcelona or Milan.

Richard Tomkins

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SECTION IV

FINANCIAL TIMES SURVEY

Although the economy is in fine shape, says **Alan Friedman**, a bitter and public battle is raging. Rich industrial concerns want to take control of banks, but the normally low-profile Bank of Italy fears that this could lead to serious conflicts of interest.

The Bank stands firm

IN OVERALL terms, the state of the Italian economy has rarely looked better. The fruits of industrial restructuring since 1980 are plentiful, and corporate profits are continuing to grow healthily.

Inflation is below 5 per cent and stable. The GDP growth rate this year looks as if it will be 3.5 per cent; capital inflows have been sizeable; and the coalition government of Prime Minister Ciriaco De Mita is even making headway in applying a medium-term plan to attack the country's gigantic public sector deficit.

Italian industry is ever-more conscious of the need to prepare for 1992; and while rationalisation in some sectors, such as telecommunications, remains painfully lethargic and politicised, progress is evident in others such as chemicals and electromechanical engineering.

The great anomaly of the Italian economy remains the fact that, while the nation's industry is moving forward, its financial markets are still backward, incestuous and dangerously under-regulated. The Milan bourse, for all the progress made in *relative* terms over the past decade, is still an insider's den of share rigging. The Consob regulatory authority still lacks the clout that would come from more solid legislative backing.

Even more worrying, for those who fear that Italy's big handicap in 1992 may be a protectionist and feudal mentality at the top of its industrial/financial structure, is that lobbyists from big industry have been labouring for 18 months to ensure that proposed anti-trust legislation will be watered down. It is highly unlikely that, at the end of the day, Italy will have a British-style Monopolies Commission, a German-style Kartelamt or a US-style anti-trust division. Italy is still a country where raw power counts more than regulatory legislation.

The idea of throwing one's weight around on issues of national interest has been amply illustrated this autumn by the fierce public debate over the desire of big industrial groups to use the enormous liquidity in their balance sheets to buy control of banks.

Two years ago the Bank of Italy — which takes the firm view that it would be dangerous if industrial companies were able to take majority stakes in banks — succeeded in dissuading the Agnelli and De Benedetti groups from buying the 98-branch Italian subsidiary of the Bank of America. The bank went to Deutsche Bank instead.

Governor Carlo Azeglio Ciampi, of the Bank of Italy (left) vigorously defends his view that industry must not be allowed to buy majority stakes in banks. Mr Cesare Romiti, Fiat chief executive and chairman of the Gemina investment company, disagrees

Italian Banking
Finance & Investment

Now, the debate over industry and banks has reignited, and for two main reasons: industrial companies are flush with balance sheet liquidity; and everyone recognises the need to make Italy's banks more efficient ahead of 1992.

As a result, the big guns of Italian industry have been trained upon Mr Carlo Azeglio Ciampi, the respected central bank governor whose opposition to allowing banks to be bought by industrialists is seen as an impediment to the already notable horizontal expansion by manufacturing industry into publishing, newspapers, insurance, unit trusts and other sectors.

The Bank of Italy does not like to admit it, but Mr Ciampi has already taken a thrashing from leading industrialists and economists who have launched a formidable press campaign of public declarations in favour of industry buying banks. The central bank governor, in an interview for this survey, said he merely wished to preserve the regulatory and supervisory authority over the banking system that is enjoyed by his counterparts at the Federal Reserve, the Bank of England or the Banque de France.

"I am not against Agnelli, Gardini, De Benedetti and Berlusconi buying minority stakes in banks," said Governor Ciampi, "but I am against them taking control of banks, because I am worried that there could easily be a conflict of interest in such a situation."

Both sides of this debate — which has implications for the future ownership of some large Italian banks — are set out in the pages of this survey. Mr Ciampi's views are contained in an article that was prepared by the Bank of Italy, while the view of the industrialists is articulated in a separate article by Mr Mario Monti, a leading economist who is both deputy chairman of Banca Commerciale Italiana and a member of the executive committee and board of directors of the Fiat group, a company whose executives have been at the forefront of the drive to invest in the banking sector.

Mr Gianni Agnelli, the Fiat chairman, speaking last June at his group's annual shareholders' meeting, became the first authoritative voice to talk of how industry could participate in the privatisation of Italy's largely state-owned banking system.

Since last summer the list of those differing with the Bank of Italy's policy has included:

Mr Guido Carli, the former central bank chief who served until a few months ago as a member of Fiat's executive committee and board director; Mr Sergio Pininfarina, the Turin-based president of the Confindustria employers' association; Mr Giovanni Goria, the former prime minister; the aforementioned Mr Mario Monti, who has made it a point to stress that he held his views before joining Fiat this summer; and Mr Cesare Romiti, the Fiat group chief executive who emphasises that it is not Fiat but Gemina, the financial vehicle he chairs and in which Fiat is the single biggest shareholder, that wishes to buy banks.

The substance of the debate is no less extraordinary than the list of those bearing the message. Mr Carli, for example, has attacked the political interference implicit in the nomination by the parties of top bank executives, and in this argument he cannot be faulted. Governor Ciampi, however, while expressing his full esteem for Mr Carli, responds that: "I am as worried about a *bank manager* who obeys his industrial shareholder as I am about a bank manager who obeys his political overlords."

It is no small irony for the apolitical *Bank of Italy*, however, that the main support for Mr Ciampi's position appears to be come the political parties themselves. And the final decision on the banks-and-industry issue could come in the new anti-trust legislation under debate in the Senate.

Mr Monti, in the most coherent expression of the industrialists' view, says that, in "an ideal world", banks and industry should be separate, but *that the under-capitalisation of* Italian banks means that a weak equity market and a stretched public sector cannot supply fresh capital — only industry can. Mr Monti also says that, by taking control of banks, industry will provide better management.

The Bank of Italy replies that, firstly, it is simply not true to say that Italian banks are under-capitalised — a few banks are, but the national average capital ratio is now 13 per cent, up from 5 per cent in the 1970s. In addition, there is little evidence that the equity market cannot provide capital for privatisation share issues — it has done so in recent years for the sale of minority stakes by banks such as Banca Nazionale del Lavoro, and is doing so at present in the Mediobanca share offer.

Finally, says the central bank, the total excess capital in the banking system amounts to L20,000bn, while the total capital deficiencies at a few institutions such as the Banco di Napoli amounts to less than L3,000bn. The solution, argues the Bank of Italy, is for cash-rich banks to acquire other banks, which might also contribute to rationalising the entire system with its 1,100 separate banks.

Mr Marco Vitale, chairman of one of Italy's biggest unit trusts, points out that the problem in Italian banks is not only one of management, and disputes the notion that industrial managers are necessarily the most fit to run banks.

Senator Guido Rossi, a former Consob chairman and the leading legislator involved in pressing for reform of the financial and banking sectors, says quite bluntly that he cannot see why banks would represent an attractive investment for industry as they are less profitable. Mr Rossi alleges that banks would be mere "pawns" in the hands of industrial companies.

Former Premier Goria has

Continued on Page 3

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The economy is in better shape than for many years

Investors display confidence

IN NO previous snapshot this decade has the Italian economy been smiling quite so broadly as it is at the close of 1988.

Good fortune is combining with a strengthening of economic policy to produce the highest growth rate for 15 years, stable inflation, rising disposable incomes, an expansion of industrial employment and capacity, and the beginnings of a credible policy for stabilising the country's astronomical public debt.

Investors have been demonstrating their confidence in a variety of ways. In manufacturing industry, spending on new plant and machinery has leaped by 8 per cent this year in response both to strong growth of internal demand of around 4 per cent and a robust pull from foreign markets. Industrial output rose in the first half of the year by 2.6 per cent (seasonally adjusted) compared to the previous six months, and by 4.4 per cent over the first half of 1987.

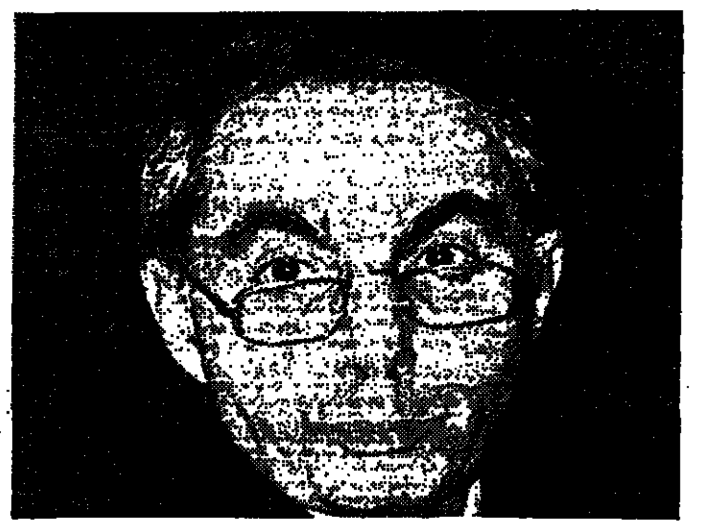
Net foreign investment in the first six months came close to L7,000bn compared to only L500bn in the same period last year, contributing to a L1,900bn increase in the Bank of Italy's official reserves. Total foreign capital inflows of L11,000bn (first six months) have helped carry the global balance of the balance of payments to a nine month surplus of L1,878bn against a deficit of L1,530bn in the same period last year.

On the domestic front, investment in government debt, vital for funding the public sector deficit, has been characterised by a drastic reduction in bank portfolios – L27,000bn in the first eight months – more or less compensated by an increase in household investments. Economic policy uncertainties in the first quarter halted the slight fall in government debt yields which had begun the previous October and led to a marked preference for short-term issues. By the end of September, maturities of one year or less counted for close to 50 per cent of all government debt issues, a proportion more than twice as high as in the same period last year.

Unofficial estimates suggest that this might push government spending on interest payments up as high as L96,000bn this year, around L8,000bn above the total target. However, a combination of high yields and strong liquidity has led to a major reversal of demand this autumn with a pronounced recovery in demand for four maturities.

Government forecasts (% increases)

	1988	1989
GDP	3.6	3.0
Internal demand	4.2	3.5
Exports	5.8	4.5
Consumer prices	4.7	4.0
Government borrowing (%GDP)	10.9	10.2



Mr Giuliano Amato: now reviewing debt management policy

Mr Giuliano Amato, the Treasury Minister, is now reviewing debt management policy (or lack of it, according to many critics) with the aim of creating new instruments capable of lengthening the average maturity and lowering the interest rate costs of a total debt which passed one million billion lire in September.

Mr Amato can claim the lion's share of the credit for the autumnal shift in investor sentiment which was greatly influenced by the 1989 budget proposal adopted by the government at the end of September. For the first time in many years, an Italian government has begun to address the absence of any real discipline in Italian public spending mechanisms within the framework of a medium-term plan for stabilising the public debt.

But in Italy, the government's budget can be one thing, the final result another. Within the parliament, this autumn's hard fought battle to abolish secret voting on budgetary and other issues should give the coalition stronger control over its supporters, but considerable damage to budgetary targets could still be wrought within the various parliamentary committees.

The importance of reaching the overall deficit target for next year of L117,300bn or 10.2 per cent cannot be overestimated. This decade has been a sorry tale of rising deficits betraying their original budgetary intentions – this year's final outcome will be in the region of L118,000bn against an original, vainglorious ambition of L103,500.

Mr Amato's plan is to balance current spending net of interest payments by 1991-92 and, as a beginning, the 1989 budget current spending deficit is targeted to fall from this year's L30,000bn to L21,000bn. The haste with which the government has had to plan since it came into office in April shows up in more than a touch of budgetary improvisation, and there are many reasonable doubts about whether a clampdown on fiscal evasion and a new regime for the self-employed can really produce the extra revenues which the budget proposal is counting upon.

In the meantime, fiscal deficits remain a source of demand expansion for an economy which could soon be pressing up against its capacities. Manufacturing plants are now running at levels of utilisation not seen since the beginning of 1980 and certainly, were it not for a further improvement in the terms of trade due largely to falling oil prices, the trade deficit would be much worse.

By the end of August, this had climbed to L7,286bn, a little more than L100bn above the deficit for the first 8 months of last year. After a mid-summer burst Italian exports had managed an 11.5 per cent growth in value over the year before while imports were 10.8 per cent higher. The energy deficit had fallen from L12,196bn to L10,334bn. Data on trade quantities suggests that in the first half, exports had risen by around 6 per cent and imports by 7 per cent.

The Bank of Italy remains anxious about a 5 per cent increase in industrial unit costs this year and an inflation rate which is firmly lodged around the same figure and is about 3 percentage points above the average for the countries the currencies of which form part of the European Monetary System's exchange rate arrangements. Monetary policy will remain largely unchanged next year with a monetary growth target of between 6 and 9 per cent.

Employment, meanwhile, is rising and parts of northern Italy are suffering skill shortages. The average numbers of those in employment was about 1.5 per cent higher than 12 months earlier, with a specially marked increase of 1.9 per cent in manufacturing industry, the improved output of which has hitherto been based on higher productivity and overtime.

John Wyles

ITALY'S ECONOMIC PROGRESS (%)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Prime rate (annual average)	19.93	22.13	21.54	19.19	17.67	16.55	14.18	12.74	12.72†
GDP growth	3.9	1.1	0.2	1.1	3.2	2.9	2.9	3.1	3.6*
Inflation (annual average)	21.2	17.8	16.5	14.7	10.8	9.2	5.9	4.8	4.6*
Money supply growth	12.7	10.0	11.1	12.3	12.1	11.0	9.4	8.4	7.7§
Credit to private sector	16.4	13.5	13.4	13.2	15.6	12.9	11.4	10.3	15.1§

* Estimate. § Dec 1987 - Sept 1988. Source: Bank of Italy

ITALY'S ECONOMIC PROGRESS (Lbn)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Public sector deficit	37,715	53,826	76,663	90,749	102,247	119,319	110,133	114,289	118,500*
GDP	390,432	468,049	545,124	633,571	727,798	815,630	902,238	982,595	1,088,327*
Public debt	228,240	283,130	361,564	455,543	560,883	682,564	793,096	909,983	1,008,075‡
Total financial assets (non-state sector)	385,461	455,619	542,614	655,287	785,597	928,261	1,094,923	1,243,688	1,339,005‡‡

* Estimate. ‡ September. ‡‡ July. Source: Bank of Italy

THE STOCK MARKET

Departing Fumagalli chides Milan's 'club of insiders'

"THIS MARKET has been taken for a ride too many times. The big groups have manipulated it, prices have been rigged and the share deals have generally hurt the small investor... All investors here are like Jesus Christ: they are crucified. And the bourse in Milan is a club of insiders, made up of the big groups, a few shareholders and the brokers."

Strong words, these. But they do not come from a left-wing politician, nor from the leader of some shareholders' ginger group. The man who made the comments, seated behind his desk in an office just a stone's throw from the Milan bourse, is Mr Ettore Fumagalli, chairman of the executive committee of the Italian Stock Exchange and president of the European Exchange Committee, the organ that brings together the stock market leaders of the 12 member nations of the European Community.

Mr Fumagalli's words are unusual only because he is the man who is supposed to personify the Italian stock market. Most honest people involved in the Milan market will say the same thing in private. But having decided to stand down as chairman when his term runs out this month, Mr Fumagalli appears also to have decided to speak his mind, this time in public.

The bourse has grown in recent years and seen much change

The idea of the head of a stock exchange issuing an indictment of the very exchange he heads is certainly unusual. In fairness, Mr Fumagalli points out that the Milan bourse has grown considerably in recent years, that the last decade has seen the introduction of consolidated balance sheets, greater financial disclosure, the arrival of new investment banking players and the launch of unit trusts which have brought fresh liquidity and millions of new small investors to Milan.

To this must be added that foreign investors have been back in the market since the late summer of this year, making selective investments largely in the telecommunications and insurance sectors.

Mr Fumagalli also notes that continuous trading is on the way, that new mixed firms consisting of both traditional brokers and banks are to be formed, and that Italy is Europe's fifth biggest market after the UK, West Germany, France and Switzerland. But is it really?

Milan's current total market capitalisation this autumn has stood at around L160,000bn ($123bn). That in itself is only 16 or 17 per cent of the nation's GNP, while the capitalisation of the London Stock Exchange is equivalent to nearly 98 per cent of the British GNP, and Wall Street amounts to 55 per cent of the US total GNP. By another measure, the Italian stockmarket's value is equivalent to only 12 per cent of the country's total financial assets.

In macro-economic terms, Milan is tiny. And it is incestuous. Without any laws against insider trading, and with half of all trading done on the telephone by a handful of big corporate and financial players, it is not so hard to see why Mr Fumagalli has launched his unprecedented *J'accuse* against his own market.

Market capitalisation totals only about 16 or 17 per cent of GNP

Perhaps the most striking thing about the bourse is that, set against the enormous progress of Italian industry in recent years and the solid strength of the Italian economy, Milan is such a provincial and under-developed club.

Among the 200 quoted companies the average proportion of company stock that is actually traded on the Milan bourse – the float – is 25 per cent of issued share capital. Thus the actual capitalisation of Milan could be considered as one quarter of its total L160,000bn worth.

The market, meanwhile, sees active trading in only 40 or 50 shares, once again a quarter of the total. Some 40 quoted companies do not even have as much as 25 per cent of their shares available on the market, the new legal minimum. But the stockmarket regulatory authorities say it would be "unrealistic" to suspend trading in so many shares just to conform to a legal nicety.

Mr Fumagalli reckons the Milan bourse has had its image damaged by operations such as last winter's Ferruzzi-Montedison restructuring. The deal, by which Mr Raul Gardini's Ferruzzi group removed prize assets from Montedison as part of a debt reducing exercise, was sharply criticised for trampling over the rights of Montedison's 100,000 small shareholders. It has since "come right", thanks to a successful placing of newly quoted Ferruzzi (Ferfin) shares, an improving chemicals market and a steadier bourse.

"Now the operation seems fine, but last January Montedison shareholders lived a horrible and frightening experience," recalls Mr Fumagalli, commenting on the complex asset play that was designed by Mediobanca, the leading merchant bank.

"The shareholders were practically told to jump out of the window. Information was minimal. The reaction was negative, because the market did not understand the operation and the Consob [stockmarket authority] did not intervene in a timely or orderly fashion," says the stock exchange leader.

Mr Fumagalli bemoans the fact that Mediobanca "has no real competition" in putting together big share deals such as the Ferruzzi operation. During the boom years of 1984-1986 smaller investment banks, such as Euromobiliare and Sige, began to poach some of Mediobanca's new issues business. Now that there are fewer new share issues – the main source of business for Mediobanca's challengers – the establishment bank is back in charge again.

"Maybe the Italian market is still too small and too weak to sustain big share deals that are not handled by the Grand Director," remarked Mr Fumagalli, in a clear allusion to Mr Enrico Cuccia, the 80-year-old honorary chairman of Mediobanca who still pulls many strings. At the end of the day, says the soon-to-be former stockmarket chief, "the Milan bourse is still a family affair".

Mediobanca, which has just had a huge chunk of its own shares placed in a partial privatisation, cannot be quoted in reply to the stock exchange chairman's comments, because Mr Cuccia has not given a press interview since he founded the bank in 1946.

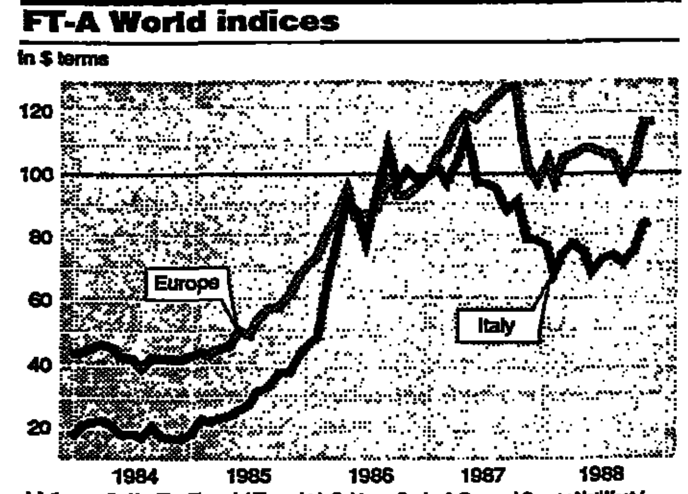
A call to Mediobanca for this article resulted in a scolding from the secretary of Mr Vincenzo Maranghi, the secretive disciple of Mr Cuccia who now manages the bank: "You should know by now that we don't speak to journalists, ever."

The outgoing chairman of the Milan bourse sighs at the end of his interview, and gazes out of his window, mumbling about "cultural obstacles to change".

Alan Friedman

FT-A World indices

in $ terms



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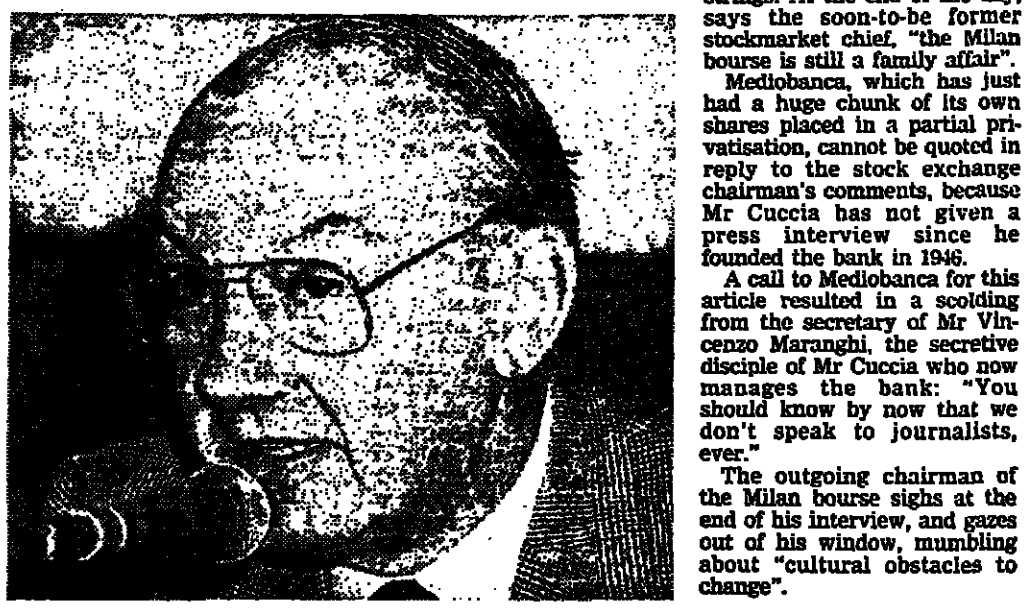


Mr Ettore Fumagalli: 'it's still a family affair'

An apparently operatic moment on the Milan bourse

Should Italian industrial companies be permitted to take majority control of banks? Two guest writers offer conflicting views

Banks' capital needs will be huge if restructuring is to go ahead

Professor MARIO MONTI, a leading Italian economist and critic of the Bank of Italy, was asked to set out his views on the challenges facing Italian banking. In this article he provides an overview of the situation and calls for the relaxation of central bank restrictions on the acquisition of banks by industrial concerns.

ITALY'S BANKING system, though not inclined to radical changes, is indeed undergoing a rapid transformation of its role in the economy.

From the early 1970s to the early 1980s, Italian banks functioned as a mechanism aimed primarily at facilitating the supply of funds to the public sector in a financially repressed economy. This was accomplished through a number of direct controls (restrictions on entry into banking markets, portfolio constraints, ceilings on bank loans, highly penalising reserve requirements) coupled with restrictions on capital outflows.

The results were the channelling of funds to the public sector at below-market conditions, the absence of pressure on the government to bring the budget deficit under control, an uncompetitive banking environment, high costs of bank intermediation and often poor services, plus a limit on the ability of bankers to manage independently, with all of this sweetened by a comforting protection extended by the central bank.

Only a few years later, the banking system is trying to contribute to a market-oriented mechanism of capital accumulation, in a financially open economy. The turnaround – from direct to indirect controls, and from capital restrictions to foreign exchange liberalisation – results from new thinking on the part of the monetary authorities, an intensive public debate and the forces of internationalisation.

The main steps, from 1981-83 on, have been the "divorce" between the Bank of Italy and the Treasury; the elimination of portfolio constraints and of ceilings on bank loans; the easing of restrictions on entry and of some legal and geographical barriers impeding bank competition, plus the phasing out of restrictions on capital flows.

This process has been creating a much more competitive banking environment. It is preparing Italy's financial system for the further steps of EC integration, and it has even had some success in putting pressure on government and parliament to contain the deficit. The deficit, in fact, net of interest payments has since 1983 declined as a proportion of the nation's GDP.

Yet important challenges are now facing the Italian banking system, as is made clear by the various articles in this survey. The time horizon over which they will have to be taken up is not the "mythical" 1992. It is the less impressive, but nearer, date of mid-1990, when, under recent EEC decisions, the liberalisation of capital movements is to be applied also to securities of maturities below six months, and to bank deposits.

True, bank deposits do have a considerable relationship with transactions and other

Important challenges face the Italian banking system between now and 1990

services, so that the Italian depositor may not be attracted by the prospect of holding his cheque account or savings deposit with banks in another country. But this is more true of individual customers than of corporate clients, which are more mobile.

For this reason, it is to be expected that increased competition by foreign banks – and not only through their branches in Italy – will develop from 1990. This shortens the horizon over which international comparisons of banking efficiency will be relevant, and is full of practical consequences.

Such comparisons will call

Professor Mario Monti

into question both the cost and quality position of Italian banks relative to foreign competitors, and the role that the regulatory system, as well the tax regime, have in determining events.

The 30 per cent withholding tax on interest from bank deposits, along with a burden from required reserves which rank high in international comparisons, are among the most obvious aspects that will need reconsidering (and the Bank of Italy has started reviewing reserve requirements).

Challenges in the marketplace will not be decided by 1990, or even 1992. Though the increase in competition will be immediate, the process determining which institutions survive and with what kind of geographical scope, will be a longer one, and will involve a rethink also of the institutional framework under which both banks and the authorities operate in Italy.

As far as banks are concerned, one of the issues presently under discussion is whether non-financial interests, and industrial firms in particular, should be allowed to make significant investments in banks' equity, perhaps as far as even acquiring control, or whether the principle of *separation between* banking and industry should be strictly adhered to.

My own view is that Italian banks are going to have huge capital requirements for their expansion, and that additional capital will be needed if the announced privatisations of some public-sector banks are to be carried out.

Given the present state of capital markets in Italy, it is rather unlikely that the required infusion of capital will come without a substantial contribution by either foreign financial institutions or the Italian industrial sector. While some of the former is highly welcome, and has occurring, it seems appropriate also to have some infusion of industrial capital, in a phase when Italian industry may also help improve managerial efficiency in banking, since industry has already gone through the experience of restructuring and internationalisation.

The powers of the monetary authorities also need to be reconsidered

The question remains whether such infusion of capital and a more managerial approach is likely to occur if new investments are confined to a very limited share of a bank's equity. At any rate, very strict regulations should apply as concerns both the identification of bank shareholders and the bank's lending policies towards them. A solution along these lines would also seem consistent with the proposed second directive of the EC.

The powers of the monetary authorities need reconsidering as well. In my view, the Treasury and the Bank of Italy should be stripped of the virtually unlimited and discretionary powers that – under the principles of *dirigisme* of the Banking Act of 1936, which reflects the Fascist era – allow them to impose ceilings and constraints of all sorts without need of parliamentary approval.

At the same time, the Bank of Italy should be given all the powers needed to conduct monetary policy effectively through market-oriented indirect controls. The Bank should have the power to set the discount rate, which it presently can only propose to the treasury minister. The arrangements between Treasury and Bank should be further modified, so as to increase the Bank's autonomy in creating the monetary base. In the same spirit, the Bank should be prevented from purchasing government securities in the primary market.

With unusual promptness and consensus, political parties in both government and opposition have closed ranks to endorse the Bank of Italy's position in favour of a separation between banking and industry, perhaps with an eye on keeping their grip on bank appointments and policies.

It will now be interesting to see whether the same parties are equally prepared to grant the Bank all the powers it should have to manage monetary policy effectively. This would be the decisive step in completing the evolution of the Bank of Italy from the State's banker – and hidden tax collector – to a central bank that is fully equipped, and accountable, for monetary policy.

Professor Monti is Director of the Centre for Monetary and Financial Economics at Bocconi University, deputy chairman of Banca Commerciale Italiana, and a member of the board of directors and executive committee of the Fiat group.

Separation prevents conflicts of interest

In this article, specially prepared for the Financial Times by the Bank of Italy and based on excerpts from his recent statements, Governor CARLO AZEGLIO CIAMPI explains why he is strongly opposed to industrial companies' taking control of Italian banks

THE AUTONOMY of banks is an indispensable prerequisite for allocating resources in an economy that wishes to maintain the desirable division between decisions regarding investment and saving.

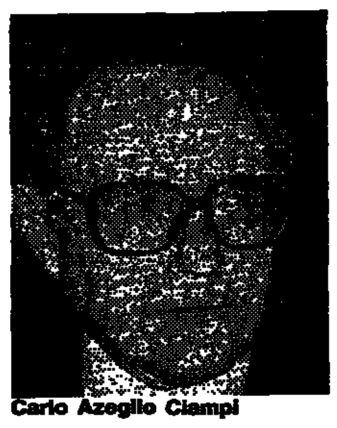
Banks' contribution to the assessment of the various ways in which resources can be used would lose most of its value if they were influenced by preconceived attitudes of internal or external origin.

Banks' autonomy is multifaceted. *Vis-à-vis* the political sphere, it mainly concerns the public-sector banks, with special reference to appointment of their governing organs. Protection of this autonomy relies in part on technical defences, but basically on the awareness of those entrusted with making these appointments that their choices affect the general interest.

In this spirit, Italy's credit authorities have reaffirmed the principle that the publicly-controlled banks are entrepreneurial businesses subject to competition, and have actively encouraged measures to permit contributions of capital by the private sector. The Bank of Italy has proposed a reform of the public banks based on the model of the joint-stock company, whereby the government body would hive off the banking business and contribute it to a limited company.

There are other, closely related, aspects of the concept of banking autonomy, such as the independence of bank managements from shareholders (however large a bank's equity capital may be, it is never more than a fraction of its deposits) and customers.

The participation of financial companies in the equity capital of banks has never posed a problem. Indeed, the policy that the Bank of Italy has been pursuing for years is aimed at enhancing the capital strength and entrepreneurial spirit of



Carlo Azeglio Ciampi

the credit system through the entry of private capital.

The central issue concerns ownership of bank capital by non-financial companies, which now have more funds available as a result of the capital strength of Italian companies and growing international integration.

Ownership structure is regulated by special *legislation in a* number of countries

The Bank of Italy has repeatedly expressed the view that non-financial companies should be permitted to hold such investments, but that they should not occupy a dominant position in institutions that take deposits from the public and grant credit.

Compliance with the principle of separation in no way precludes the holding of minority interests. In addition to contributing to banks' capital bases, they can also act as a vehicle for the potentially valuable contribution of experience that non-financial entrepreneurs can make to the banking community.

The principle of separation between banking and commerce is designed to prevent conflicts of interest and distortions in the management of banks, but it is also intended to avoid undue extension of the powers and sphere of action of the central bank.

Market difficulties, or rumours of the insolvency of a mixed industrial and banking group, would make the group's banking components illiquid. In turn, this illiquidity would affect the industrial components with cumulative feedback effects that could result in the contagion spreading outside the group. If the central bank intervened, as lender of last resort, it would indirectly support the non-banking parts of the group as well. Institutional confusion would be compounded by the consequent undermining of the central bank's credibility, and hence effectiveness, in the performance of its functions of stabilising the economy.

The ownership structure of banks is regulated by special legislation in a number of countries. In Italy, the first need is to close the loophole in our regulations that permits residents and non-residents to acquire a controlling interest in a bank with no formalities whatever. There is not even a requirement to notify the credit authorities either prior to or after the event.

The importance of a clear definition of every aspect of this issue for the strengthening of the credit system and the safeguarding of its autonomy calls for parliament to move swiftly to pass a law establishing criteria, limits and procedures for the acquisition of significant shareholdings in credit institutions. One possibility would be to introduce the principle of segmented ownership, whereby non-financial companies would not be allowed to own, directly and indirectly, more than a certain percentage of a bank's capital.

The Consob: **Alan Friedman** assesses the role of the securities regulatory body

Legislative backing might add teeth

"MY OPERATING model is the Securities and Exchange Commission in the United States," says Mr Franco Piga, chairman of the Consob, Italy's stock-market and securities industry regulatory authority.

The Italian stock market authority is *not*, however, the SEC, and Mr Piga – a 61-year-old lawyer who has spent most of his life as a behind-the-scenes Rome civil servant and political operator in various ministries, and even took time out from the Consob last year to get elected as a Christian Democrat politician – is not a man who relishes the idea of direct confrontation with the market or with its leading protagonists.

His stewardship is thus that of a consensus politician rather than a hard-nosed regulator, and for this reason he has been much criticised by market reformers and much appreciated by the Old Guard leaders of Italian capitalism.

Mr Franco Piga: 'we need a Consob that is more active in protecting the interests of the market'

"I am a very measured person, a gradualist," explains the man who is meant to regulate Italian securities. In fairness to Mr Piga, it must be said that he lacks most of the arms at the disposal of an SEC chief.

The Consob was only founded in 1974, and 14 years hence it is still without the legislative backing that might enable it to play a more concrete role in protecting the interests of the 4m small investors on the Milan bourse. Italy still has no anti-trust law, no monopolies and mergers commission, no rules on company takeovers, no laws to restrict insider trading and no law that would even require companies to put out full results including net profit figures on a half-yearly basis.

What Mr Piga has done is to labour silently and arduously to try and create a general structure of regulation for the market. His new guidelines for the Milan bourse are expected to be announced before Christmas.

The Italian stock market has grown considerably in recent years, but it is still a den of share price rigging and insider trading and, as Mr Piga points out, half of all share transactions still occur away from the official Milan bourse. Nonetheless, Mr Piga himself cannot be moved to express strong opinions about the major issues on the table. For example, he says he would like to see a law against insider trading, but he becomes uneasy when asked *whether there should be penal* sanctions for serious offenders. "In Italy the question of prison sentences is for judges and not for me to speak of," he remarks.

On the issue of takeover rules, a highly controversial matter in Italian finance, Mr Piga maintains that he is "not in favour of a forced takeover bid for a company just because a certain equity stake has been acquired". The chairman of the stock exchange authority appears to be closer here to the views espoused by traditional Italian industrialists and bankers, who reject the idea of hostile takeover bids.

Those arguing in favour of a law which, as in the UK, would require public offers after a certain stage, cite the example of Mr Silvio Berlusconi's recent acquisition from Mr Raul Gardini's Ferruzzi group of 70 per cent of the stock of the publicly-quoted Standa retail chain.

In this deal Mr Berlusoni paid nearly double the quoted market share price for Standa, while thousands of small investors were left holding just under 30 per cent of the company's shares at a price well below the one paid in the takeover.

Had there been a takeover law in Italy, say the critics in Milan, the small investors would have been treated fairly. But Mr Lucio Rondelli, managing director of Credito Italiano, *says he opposes a law* requiring public takeover offers because "it would place companies in our country too much at risk". Critics respond that most Italian companies are already locked up in juridical and financial strong boxes that protect leading families and not the small investor, so there is no need to fear the spectre of open public bids.

Mr Piga is undoubtedly a hard-working man and his overall message is that Italian finance needs to move forward step by step rather than with a traumatic series of new regulations. He himself has been criticised in private by several bankers and brokers for having left the Consob in 1987, to serve first as industry minister in the interim government headed by Prime Minister *Amintore Fanfani, and then to* become elected a Christian Democrat Senator in the 1987 election. He stood down as Senator after only one month, according to political commentators because he was not given a ministry in the new government of Prime Minister Ciriaco De Mita.

Mr Piga returned to Consob in August 1987, but critics said his electoral campaign had received help from some of the big companies he is meant to regulate. He flatly denies receiving financial contributions in the election, but when asked whether he was given the use of free private jets for the campaign by some of Italy's biggest companies Mr Piga says: "I don't want to respond to that question."

Mr Ettore Fumagalli, president *of the executive committee* of the Milan bourse, comments on Mr Piga's handling of Consob by saying: "We need a Consob that is more active in protecting the interests of the market."

The Consob chairman himself is optimistic that over time it will be possible better to regulate the Italian stock market and he stresses that, given the relative youth of the Consob, it has already taken "giant steps" toward better protecting the interests of investors. As with other issues of public regulation in Italy, Franco Piga says that to improve the state of affairs at Consob the most important ingredient will be time.

Alan Friedman

UNIT TRUSTS

Horizons widen

THE RISE and rise of the Italian mutual fund business in 1985 and 1986 – and its derivative effect on the stock market itself – has been well documented. However, as with the industry worldwide, trends over the past 12 months have been less happy.

At the end of 1984, the assets of the Italian mutual funds totalled just L1,162bn. By the *end of 1985, the figure had* risen to L19,782bn. A year later it had reached L65,077bn (about £28bn). This compares with the £42bn which the 50-year old unit trust sector in Britain currently manages. In short, the Italian mutual fund groups established an industry of almost three-quarters the size in a fraction of the time.

Since then, the pattern has been one of modest decline. The value of the funds' assets dropped to L59,499bn by end-1987, and the current 1988 figure is put at about L52,425bn. Since mid-1987, according to figures from the state-owned IMI group, there has been a steady net outflow of funds, though the rate of net redemptions slackened noticeably during the summer.

This, it should be noted, has not prevented a growth in both the number of funds themselves and the number of new entries into the industry. The number of funds under management expanded from 42 in 1985 to 60 in the following year, and 72 by the end of 1987. In the current year, the figure is up to well over 100.

Equally, the number of mutual fund companies increased from just 25 in 1985 to 38 by end-1987. In the current year, another nine players have arrived.

Virtually all these funds have been invested in domestic securities to date. The freedom to set up internationally-oriented mutual funds has only become effective in the current year, and as one mutual fund operator notes delicately, "The processing of new funds takes a bit of time". The launch of new funds, which are oriented towards non-Italian equities, has occurred with great fanfare in recent weeks; the two most prominent are managed by Nuovo Banco Ambrosiano and by the Istituto San Paolo di Torino.

Domestic funds concentrating predominantly on the equity market, however, are in the minority; of the 109 funds available, 45 are bond (income) funds, and another 44 are "balanced funds". Only 20 can be classed as equity funds.

Nevertheless, it is equity funds which throw up the stars in performance terms this year, with the the best performing fund managing a rise of 17.9 per cent between January and September. It has not always been that way round; over three years, IMI calculates that the equity funds have, on average, have managed a gain of about 45 per cent, just beating the BCI market index, while the income funds have underperformed with a rise of about 35 per cent.

On a *two-year or one-year* view – obviously encompassing the end of the bull market – income funds have tended to perform better. Over the three months to end-August there was little comfort all round; all three categories significantly under-performed the Italian stock market.

It is worth noting that the charging and pricing of funds is slightly different from that in the UK. Most Italian mutual funds have a front-end load, which ranges up to about 6 per cent (in general, somewhat higher on the equity funds) plus a much smaller annual management fee. The front-end load is paid when the funds are purchased, but there is then no bid-to-offer spread.

A few funds have moved away from the front-end charging system, however, opting instead for a higher management fee, part of which is performance-related. In this case, the annual management fee might be set at around 2 per cent and the performance fee take the overall charge up to 2.5 per cent-plus.

The mutual fund industry is fortunate to be undergoing its not unexpected period of consolidation when competition from other savings – aside from the formidable return on government bonds themselves – is only embryonic. Closed-end funds simply do not exist and the life insurance savings market is under development.

Private discretionary management is a more forceful threat, but tends to attract higher net worth individuals.

The one area which is opening up is the international dimension. The freedom to operate overseas-invested mutual funds has only become a practical reality in 1988, and, in the view of some observers, the flow of such funds to the market has been carefully regulated to prevent any sudden rush of external investment. Nevertheless, it does seem that there are an increasing number in the pipeline.

And the pressures for further change are considerable. In a year's time, the European Community's *directive on* collective investments in transferable securities becomes effective, requiring countries to have legislation in place which enables collective investment schemes to compete freely throughout the community.

Nikki Tait

FINANCIAL SERVICES

Scope for innovation grows

FINANCIAL services, like so much of the Italian financial scene, are in a state of flux.

Old-established savings methods are being challenged by the need – and, from certain quarters, domestic desire – to introduce fresh options. This follows increased wealth, some regulatory freedoms, and a growing awareness of what international counterparts can provide.

A couple of points are worth noting at the outset. For all its recent advances, the Italian economy remains remains heavily cash-oriented. It is reckoned that the amount of cash in circulation is roughly half that of the US, and several times as high as in other similar-sized western countries.

On the one hand, this appears to offer great potential. On the other, given the tax-evasive elements, it can be *argued that the cash economy* will remain a considerable hindrance to the expansion of the financial services industry, where registration of an individual's income and wealth is a necessary corollary.

The second point is both encouraging and disheartening. On the plus side, Italy does have a remarkably high savings ratio, put at over 20 per cent of disposable income. Go back a few decades, and *such monies usually found* their way into interest-earning current accounts in the country's vast array of banks. Unfortunately, more recently the trend has been toward government bonds, again usually purchased through the banks.

The problem is that income from these enjoys fairly favourable tax treatment; and, given the need to finance the chunky Italian State deficit, the yield available is generous.

Inholding's Giovanni Franzi: aiming for 750 intermediaries

At present, the net return of around 12 per cent is attainable, which alongside a 5 per cent inflation rate is a formidable marker for other savings mechanisms to beat. Nor, it should be added, do any of the other savings options – life insurance, personal pensions, mortgages – benefit from substantial compensating tax breaks.

That said, there is clearly some scope for product innovation – witness, the heady reception enjoyed by unit trusts in 1985 and 1986. Italy, for example, ranked 14th among 17 European countries in terms of the annual spend per head on life insurance in 1986. The figure was put at a mere $46.2, compared with Britain's $479.3, and Switzerland's heady $938. Only Spain, Portugal and Greece ranked lower.

The relatively low figure is explained by the strong family tradition, a high level of premiums, and by the fact that Italy's wealth only arrived recently.

"We were a poor country," comments Mr Antonio Corti, at *Latina Assicuranzioni*, one of Italy's larger insurance groups. "People had more immediate needs."

That said, life business has been something of a growth area recently – although it is *still estimated that only 15 per* cent of the population hold any form of life policy. The trend has been very much towards "with profits" savings policies, rather than straight term insurance – a reflection, suggests Mr Corti, of the sorry state of the social security system and a genuine desire by individuals to see some of their increased wealth provide for retirement. The growth in straight life cover, he predicts, will be considerably slower.

The mortgage market is another potential candidate for change. At present, most are provided by the banks. Conventionally, these account for up to only half the cost of the property, and are repayable *over a relatively short-term* – say, 10 to 15 years. This, in turn, has provoked the development of a much more expensive secondary mortgage market.

Such possibilities mean that as much attention is being paid to distribution networks as to products themselves. The latter, after all, can always be bought in from existing experienced players, reluctant to tackle the Italian market on their own. It is also worth noting that the concept of the independent broker has little meaning in Italy: individuals may take advice from a fee-based "commercialiata", but will still traditionally do whatever transaction is involved through a bank.

Inholding, the new privately-owned financial services group being set up by the Benetton family, is a good example of this distributive thrust. The company was started five years ago, born of some industrial service (factoring and leasing) interests which principally served the industrial arm of the Benetton group.

In 1986, some former Citicorp employees came into the organisation to form Incapital, which specialises in bond trading and swops. But it was less than two years ago that the key Incapital Investments operation was set up – an ambitious attempt to create a national sales network throughout Italy.

At present, according to to Inholding's managing director, Mr Giovanni Franzi, 120 offices have been established, encompassing 450 intermediaries. The aim is to increase the latter figure to around 750 by 1989.

With shades of the Benetton retail concept in the background, the idea is that area managers should provide their own office accommodation and be rewarded on a commission basis. They will, however, be provided with an exclusive range of financial products to sell.

Inholding has linked up with Euromobiliare, the Milan investment banking operation, on the domestic mutual fund front; plans to launch two international mutual funds, *one of which enjoys investment* advice from UK investment bank County NatWest; has formed a 50-50 joint venture company with British insurance group, the Pruden*tial, on life products*; and is currently talking to a British building society about mortgage possibilities.

The Inholding idea, of course, is not entirely new – the likes of SIGE, part of the state-owned IMI organisation, or Berlusconi's Fininvest already have national coverage. Nor have some of the privately-owned banks been passed by entirely: 12 of the medium-sized northern co-operative banks got together in the mid-1980s to form Arca, a mutual fund operation whose products are sold soley through the banks' network. (Again, there has been a subse*quent insurance link-up*).

And if competition for, and rationalisation of, the banking network has been slow in coming, at least on one score the financial services game in Italy is particularly user-friendly. Such is the diversity of banks, that a universal plastic card has been designed, under the name of "Bancomat. It will liberate cash from any wall. For that relief, much thanks.

Nikki Tait

Merchant banking is on the threshold of change

Anglo-Saxon attitudes may be overtaken by the crash

"MERCHANT BANKING in Italy," suggests Mr Edi Cetin, director of SIGE, the investment banking arm of the state-owned IMI group, "is on the brink. It is undecided between the Anglo-Saxon model and the Japanese or German model."

Mr Cetin seems to think that the latter route will be taken. Others are less convinced. What few question is that this issue lies at the heart of the merchant banking community's development.

What Mr Cetin means by the Japanese/German model is a system by which merchant banks play a key role in providing medium to long-term development capital, take minority stakes in unlisted companies, and generally foster the future industrial base of the country. The Anglo-Saxon model, applicable in both the UK and the US, points to the more pugnacious and glamorous world of takeover advice, of generating and tying up strategic (largely equity-based) deals and of assisting companies to take full advantage of the capital markets.

By tradition, the limited merchant banking activity which exists in Italy has tended to be in the former mould. Astride it all, and defying categorisation, is Mediobanca. The publicity-shy Milan-based organisation started out 42 years ago as a state-controlled medium-term credit agency but has, over the past few decades, become deal-maker, adviser and co-shareholder to the most powerful elements on the Italian industrial scene – notably Fiat.

Mediobanca aside, however, the growth of "Anglo-Saxon" merchant banking occurred only in the mid-1980s. Explanations for the sea change in attitudes are various. One key factor often suggested is the fate of Italian industry at the turn of the decade, when highly depressed conditions brought home the full force of its traditional banking ties. Some industrialists saw the banks call in loans; others survived, but the extent of their dependence was evident. With this painful, even humiliating experience in mind, the option of equity-style financings must have had considerable subsequent appeal.

Euromobiliare's Guido Roberto Vitale

A second reason for looking to the equity market may have been more technical. As companies recovered, cash flows started to grow significantly, and some companies appeared undercapitalised. A third factor was probably the buoyant market levels themselves.

Whatever the reason, the outcome was a fairly phenomenal jump in the importance of the equity market in 1985-86 and, with it, a commensurate increase in Anglo-Saxon style merchant banking activity.

What the 1980s did help to foster was a raft of smaller 'merchant banking' operations, more in the development capital mould

Proof of this development is readily available in figures issued by the Milan Stock Exchange. Capital issues rose to a heady 99 in 1986, raising a total of L14,488bn. The number of shares listed jumped from 235 to over 300.

But the momentum did not last. Last year's worldwide fall in stock markets could only discourage equity-funding. Yet the story, perhaps, does not end there. Mr Cetin, for example, argues that the situation was more one of "chicken and egg." The larger industrial groups, he points out, had already lost interest in the stock market's development and that attitude compounded the market's decline.

Mr Guido Roberto Vitale, head of Euromobiliare, one of the larger merchant banking groups aside from Mediobanca, expresses it slightly differently: "The powerful industrial groups have not always been very keen on seeing the capital market's growth," he says.

Certainly, the combination of factors appears to have had a noticeable effect. The number of new issues was down to 33 in 1987, and the sum raised, a considerably reduced L5,25.8bn. Moreover, many of the owners of Italy's largest companies – Agnelli at Fiat, for example, de Benedetti at Olivetti or the Pirelli family – increased their own personal levels of control.

In mitigation, it might be pointed that there have been three large stock market operations recently: Generali, Ferruzzi and the Mediobanca issue itself. However, the less optimistic observers view these as slightly exceptional operations – Mediobanca, for example, concludes a lengthy saga – tending to signal the end of an era, rather than the start of a new trend.

What the 1980s *did* help to foster, however, was a raft of smaller "merchant banking" operations, more in the development capital mould. This trend was helped significantly when the Bank of Italy permitted commercial banks to take majority stakes in the merchant banks early in 1987. Today, the Associazione Italiana delle Finanziarie di Investimento (AIFI) numbers over two dozen members. By the end of 1987, it reckons that these organisations had investments totalling L449bn in over 200 situations.

Aside from the development capital role, there is also widespread belief that mergers and acquisitions will remain a busy area. Like many European countries, Italy has many small businesses founded in the post-war era, whose proprietors are new approaching retirement age. The merger or straight sale of such operations can sometimes be negotiated without intermediaries, but professional advice is also sought. And a slightly defensive attitude seems to have permeated ahead of 1992, with a general realisation that some of these firms could look vulnerable as markets open up.

Not all merchant banks are convinced that this will be the limit of their activities. Both the quoted Sopaf group and Euromobiliare – two of the more significant new players on the Milan scene – talk of new issues in the pipeline, while Mr Vitale expresses a strong hope that the equity-based route will be taken. There is also the growing international dimension: Euromobiliare, for example, says that cross-border work accounts for a hefty 70 per cent of its M&A activity.

Both companies have, or are in the process of cementing overseas, Anglo-Saxon links. This autumn, the American investment bank, Kidder Peabody, took an initial 5 per cent interest in Sopaf, while Euromobiliare is currently negotiating with Midland Bank in the UK.

In short, if the merchant banking community is on the brink, it does not seem to have entirely sealed its fate yet. And, given the near-monopoly position enjoyed by Mediobanca, the rise of new institutions will not be easy.

Nikki Tait

PROFILE: **FRANCESCO MICHELI**

Milan's maverick decries the 'medieval structure'

Francesco Micheli: out of tune with capitalism's drawing-room

FRANCESCO Micheli, one of Italy's most dynamic new breed of financiers, admits that he has enemies.

It would be hard for him to do otherwise, given the fact that the 51-year-old managing director of Sviluppo, a new securities house and investment banking group, has been vilified on several occasions by members of the Old Guard of the Italian business establishment.

Mr Micheli's "crime" has been to help pioneer the use of stock-market raids, hostile takeover bids and other Wall Street-style techniques on the Milan bourse.

He is best known in Italy as the man who, in 1985, engineered the hostile takeover by the Montedison group of the Bonomi family's Bi-Invest financial empire – a corporate battle that brought the wrath of traditional Italian industrialists and bankers down upon Mr Micheli and upon Mr Mario Schimberni, the Montedison chairman who was eventually to be ousted from his job.

It is now three years since the Bi-Invest takeover. Mr Micheli is enormously wealthy as a result, but despised by leaders of the *Salotto Buono*, or Good Drawing Room of Italian capitalism.

Last year he launched his new investment banking company with Britain's Morgan Grenfell and Lloyd Adriatico, the insurer controlled by Swiss Re, as minority partners.

The share capital of Sviluppo is L30bn. The staff of 58 financial men and women includes executives poached from SIGE, the investment banking arm of the IMI; and already in its first year (1987) Sviluppo produced a L6bn profit.

Sviluppo's business includes bond underwriting, Treasury operations for corporate clients, stockbroking, fund management, unit trusts, insurance and other financial services. The company has L400bn of funds under management.

Sviluppo is 70 per cent owned by Finarte, the publicly quoted company which is part art auction house and part financial business. Finarte has been Mr Micheli's traditional vehicle for deal-making, but now he has shifted all financial operations to Sviluppo.

In recent months Mr Micheli has been in the Italian headlines because he bought a 10 per cent stake of Euromobiliare, the investment bank that was the first to try to compete with Mediobanca, the powerful institution which still dominates Italian high finance.

But Mr Micheli's idea of merging his interests with Euromobiliare ran into opposition, according to some because of this maverick's rather brusque style of doing business. At the time of writing, Britain's Midland Bank was in negotiations to take effective control of Euromobiliare instead.

His role as a freelance financier is being emulated by other operators, who are also teaming up with foreign institutions

Mr Micheli himself is one of the new generation of Italian financiers who decries the "medieval structure" of Milan's clubby group of big company players. The old system which concentrates corporate finance into the hands of a very few bankers and industrialists is threatening to stifle Italy's chances to be more competitive in the 1990s, he maintains. He should know, because he has worked for 30 years in the Milan financial world, first in the stock market, then for IMI, and later at Montedison in the 1970s.

Today Francesco Micheli is an outsider who nonetheless has a certain clout. His role as a freelance financier is being emulated by other independent operators who are also teaming up with foreign institutions. The problem for operators such as Mr Micheli is that most big Italian companies are family-controlled, and very nearly bid-proof. Outsiders are therefore still very much outside.

Alan Friedman

Foreign banks: visiting teams often need to acquire local players

Costs weigh heavily on Barclays

MUCH IS made by Italian bankers about the threat of competition from foreign banks in the 1990s. The experience of the 35 foreign banks operating inside Italy at present is, however, not a very attractive tale.

The lack of Italian branch networks means that, without a deposit base for funding, most foreign banks rely on the lira interbank market. In addition, the importance of long-term relationships with industrial companies means that few foreign banks are able to compete effectively with the large Italian banks. The loan books of several foreign banks in Milan are thus heavily slanted toward "easier" lending to state-guaranteed agencies.

Among the more successful foreign banks is Deutsche Bank, which owns the 100-branch Banca d'America e d'Italia, and Citibank, which controls the 43-branch Banca Centro Sud. Both Deutsche and Citibank paid premium prices for these domestic networks.

Midland Bank is negotiating to take control of Euromobiliare, a Milan investment bank with a strength in the medium-sized mergers and acquisitions field. Morgan Guaranty is universally acknowledged to be the best run and most profitable foreign bank in Milan, thanks to extensive forex transactions booked in Italy and to a tradition of conservative lending to big Italian corporate names.

Hambros Bank has been teaming up with Turin's San Paolo group in a number of niche sectors, such as unit trusts and fund management. And Chase Manhattan is piloting a successful drive to develop business with high net worth individuals and other forms of private banking.

Meanwhile, Barclays Bank, of the UK, continues to be the most troubled foreign operation on the Italian banking scene. Two Barclays executives – Richard Adams and David Weymouth – have been trying to steer the Milan-based bank and para-banking group out of losses; but they have had to contend with a legacy of chaotic over-expansion, enormous fixed overheads, overstaffing, leasing and factoring losses, including some caused by fraud, the restructuring of a loan book that three years ago was riddled with non-performing assets, and a policy from head office in London that has so far seen capital injections designed mainly to cover cumulative losses.

Barclays Bank in Milan has racked up hefty losses since 1985, when alarm bells first began to ring. According to Barclays, the total losses on the banking side, including an expected 1988 deficit of L15bn to L20bn, amount to more than L120bn for the 1985-1988 period.

Total losses on the leasing, factoring and para-banking side are near to L100bn for the same period. In sterling terms this means that, since 1985, Barclays' Italian operation has lost more than £90m. Italy is thus a not inconsiderable drain on the Barclays group balance sheet. What is more, the Barclays men in Milan admit that break-even may not be attainable before 1990.

Much has been done to restructure the Barclays group in Italy (consisting of both the bank and para-banking activities), including a pull-out from retail banking, the sale of branches, the sale of some leasing businesses, the slashing of staff from 960 people in 1986 to 360 at present, and the attempt to make straight corporate lending the group's main vocation. But the local cost structure is still very weighty.

Mr Adams has succeeded in bringing fixed costs down from L100bn in 1985 to less than half that at present; but the bank still has 160 people on its payroll, against an average of less than half as many at most other foreign banks in Italy.

One Barclays executive in Milan, who asked not to be named, said that "the problem here is that we have a profitable core banking operation surrounded by useless pieces and high overheads".

Mr Adams stresses that the process of restructuring must occur in a gradual manner, without personal trauma for departing executives and lower level staff. He also speaks of the new business strategy of concentrating on corporate lending, commercial paper, money market operations and foreign exchange and money market dealing.

The problem, according to colleagues of Mr Adams who prefer to remain anonymous, is that to make a go of the new business strategy, a recapitalisation of the Milan operation may be needed. This idea is believed to be under discussion at present between executives of Barclays head office in London and its local Italian representatives. The road to full recovery, meanwhile, looks like a lengthy one.

Alan Friedman

VENTURE CAPITAL

'Find five friends . . .'

VENTURE CAPITAL in Italy begins as a matter of definition.

On the one hand, any formalised financial industry supplying early-stage capital is embryonic, indeed, virtually non-existent. On the other, company start-ups are a significant tradition. There are, after all, about 750,000 new firms formed a year in Italy, or a net figure of about 250,000.

What explains this contradiction is a long-established and fairly prominent "informal" venture capital market. As Mr Paulo Colonna, one the two Milan-based consultants on the £40mSchroders Italian venture capital fund, puts it: "It's a rich country. If you want to set up in business, you find five friends. One is a lawyer, one is a doctor . . ."

Against this background, perhaps it is not surprising that a formal venture capital industry has been slow to develop. Some figures from the European Venture Capital Association state the postion bluntly. In 1986, new venture capital investments Europe were reckoned to total 1,923.3m Ecu, of which the the UK accounted for just over 1,000m Ecu, followed by France, Belgium/Luxembourg and the Netherlands with about 200m Ecu each. Italy came in fifth place, with just 68.1m Ecu.

In 1987, there was little growth to be seen. While the UK leapt ahead to around 1.7bn Ecu (£1.14bn), and France doubled to 400m Ecu, Italy merely nudged up to 75m Ecu. It should added that some of those active in the Italian venture capital field reckon that the figures – undoubtedbly difficult to collect – under-estimate Italy's contribution. However, the size of the gap, relative to Italy's overall industrial base, is undisputed.

What lies behind the bald statistics is a fairly recent and rather tentative attempt to create a "seed-bed" venture capital industry in the mid-1980s – a fashion followed by a few banks and some privately-owned investment institutions

That, suggests Ms Anna Gervasone, at the Associazone Italiana delle Finanziarie di Investimento, has largely been abandoned, on the back of a not very happy investment record. The only remaining player of any significance is Finnova, a Milan-based organisation and part of Mr Jody Vender's Sopaf investment group. Even here, there are suggestions that early stage financing will play a somewhat smaller role in the future.

Instead, a raft of small-to-medium sized investment houses has grown up, variously owned by groups of local businessmen, other financial institutions or predominantly – following the 1987 legislation under which the Bank of Italy permitted the banks to take majority stakes "merchant banks" – by the banking community itself. The thrust of virtually all their activity, however, is towards "later stage" financing, in the form of expansion capital or the funding of management buy-outs and the like.

It is estimated that, of the total Italian venture capital investment made in 1987, about one-tenth went into seed projects, and only 6 per cent into start-ups. Expansion investment accounted for 54.5 per cent, bridging finance 13.5 per cent and MBOs 9 per cent. The last figure, suggests Ms Gervasone, should be somewhat higher in the current year.

The reason for this preference for later-stage financing is simple: there is virtually no incentive to take on the added risk which seed/start-up investments imply. The venture capital industry enjoys no special tax-breaks at present in Italy, and the financing institution can be lumbered with capital gains tax of almost 50 per cent when it exits. In this case, the less risky backing of an existing business obviously becomes a preferred course.

A further consequence is that investment funds have tended to flow into the more established industries. In 1987, it is estimated, consumer-related industries took almost a quarter of the funds invested, and industrial products another 11 per cent. Investments in higher technology fields were negligible

The other problem which the venture capital industry faces is the absence of any easy exit route. Unlike the Unlisted Securities Market, in the UK, or the Second Marché in France, Italy's second-tier equity meet is stagnant, and most private investors have demonstrated a strong preference for the blue-chip stocks. Nor is there a tradition of entrepreneurs raising some personal profits through equity placings, while the underdeveloped broking system makes support in the after-market extremely difficult.

The consultants on the Schroders fund – the first venture capital fund to be set up in Italy, although its money comes entirely from non-domestic institutions – even go so far as to suggest that, while they would never invest without anticipating the exit route, they would also never consider flotation as a primary option.

This, in turn, creates other distortions. Mr Colonna, for example, says that the main emphasis of the fund's investments will be towards MBOs or management buy-ins. In the UK, this trend has flourished on the back of industry rationalisation; in Italy, it is seen rather more as a "family" issue – one means of handing on small individually-owned businesses, which were created in the fifties, either to management itself or to one particular heir.

What Mr Colonna goes on to add is that the fund will always look for a majority stake. This is because it knows that, when it needs to exit, it will usually sell either to a larger company or to the management itself. The majority position will allow it to demand a premium for control. This, however, is in some contrast to the broader MBO ethos, which suggests that it is the very fact that management controls its own destiny that will encourage initiative and performance.

Mr Colonna counters that a management with 20-30 per cent of the equity is in a vastly improved postion, compared with one with no say at all; and that, in practical terms, the fact that holds a minority is not a problem.

Nikki Tait

EXTERNAL BORROWING

Bonds should offset loss of home finance

FOR ITALY, the integrated capital market in a post-1992 Europe holds special challenges. While it opens new vistas of investment opportunities, it also will force cash-hungry Italian state entities increasingly to look abroad for borrowed funds.

Foreigners may well be even more attracted to Italy, whose economic performance is already better than some of its neighbours. Already, rules restricting foreign investment and banking activities are being relaxed. But retaining its current pool of lenders may be a difficult task for Italy.

Even more than the Japanese, whose reluctance to spend is legendary, the Italians are thrifty. Therefore, while Italy must still come to grips with its growing budget deficit, much of the shortfall until now has been financed at home.

The Italian budget deficit has been falling as a percentage of GDP – down to 11.7 per cent in 1987 from 13.7 in 1985 – while the savings ratios of its citizens have climbed steadily. Economists at Istituto San Paulo di Torino estimate that less than 3 per cent of the Government's total borrowings are raised outside Italy. In 1983, it was less than 1 per cent. Italy's external debt is in fact tiny compared with other European countries such as Denmark and Belgium, whose foreign borrowings constitute 37 and 20 per cent respectively of all borrowings.

Several recent legal changes have made it easier for Italians to invest abroad. Since May 1987, rules restricting ownership of foreign securities have been relaxed. In October 1988, restrictions were lifted on Italian residents' ownership of medium and long-term bonds.

Already, increased dependence on external borrowing is showing up in the statistics. According to data from Banco di Roma, public sector external borrowing in the first nine months of this year totalled L2,980bn, up from L1,437bn in the same period of 1987.

The borrowings tend to accelerate sharply in the last few months of the year. By the end of 1987, external borrowings had ballooned to L6,076bn, and the trend is expected to be repeated this year.

To combat the increased attention for investors' loyalties, Italy has shown growing sophistication in its ability to take advantage of international bond and syndicated loan markets.

Several recent legal changes have made it easier for Italians to invest abroad

Perhaps the country's most successful product with international investors has been its Ecu-denominated Treasury bonds, known as *Certificati de Credito del Tesoro denominati in Ecu* (CTEs).

In the first three-quarters of this year, the Italian Treasury has issued Ecu4.25bn in CTEs, about 80 per cent of which were sold abroad. For foreign investors, the securities offer the advantage of being traded on the Luxembourg Stock Exchange, thus avoiding the settlement difficulties which have plagued the Milan Stock Exchange.

Also, investors in those countries with double taxation treaties with Italy may recoup the 12.5 per cent withholding tax deducted on interest payments, making their yields well above those on comparable securities.

Twice in 1988 Italy has tapped the Eurobond markets, each time raising $1bn in a fixed-rate security that was later swapped into floating rate funds.

The more recent $1bn issue had a seven-year maturity and a coupon of 9½ per cent, priced to yield about 48 basis points over comparable maturity US Treasuries, the market benchmark. Proceeds were used to call an outstanding $1bn floating rate note paying ⅛ below the mean of London interbank bid and offered rates, known as Limean. Italy then swapped the proceeds of its new bond into floating rate funds at about 25 basis points under Libor, achieving a considerable cost savings over the life of the bond.

But an earlier $1bn Eurobond sent ripples through the market amid charges that the lead manager, Credit Suisse First Boston, had botched the swap, costing Italy huge sums. While the swap was later put right – funds were said to have been swapped into floating rate Deutsche Marks and then into floating rate dollars – the adverse publicity embarrassed the country's Treasury.

Meanwhile, the state-owned entities have learned to exploit the intense competition in the syndicated loan market. Even though several institutions' ties to the Italian Treasury are somewhat tenuous, virtually all the entities manage to borrow funds at rates offered to sovereigns. Some have become adept at outbidding even each other for fine borrowing terms.

In early November, Manufacturers Hanover led a $150m five-year revolving credit facility for Societa per Azioni Finanziera Industria Manifatturiera (SAFIM), a subsidiary of Ente Partecipazioni e Finanziamento Industria Manifatturiera (EFIM) which surprised the markets with its tight 15 basis point margin in the first three years of the credit. In defending the pricing, the arranger pointed out that there was a put option in the first year to reduce the life of the credit to four years.

But the SAFIM deal was launched almost simultaneously with a $100m seven-year revolving credit for Agusta, the 98 per cent state-owned helicopter company, which carries a more generous 20 basis points margin. Ironically, Agusta is also a subsidiary of EFIM, suggesting that lenders should make no distinction between the pricing of loans to the two borrowers.

Meanwhile, Italian banks and state-owned entities are looking forward to a relaxation of rules at home that will make borrowing easier. The narrow lending market in lire has forced banks in particular to borrow outside the country.

Just a few months ago, the Government slashed a 2 per cent tax on all borrowings of 18 months or more to 25 basis points, cutting the cost of medium-term domestic borrowings. And rules on residents' holdings of foreign currency and foreign exchange transactions have been eased.

But restrictions will have to be relaxed much more to discourage banks from seeking funds abroad. For instance, current rules require medium-term borrowers to post security or collateral, an expensive way to raise money.

Also, the lire market is thin, with no effective benchmark, such as a Libor lending rate, to serve as a guide.

Norma Cohen

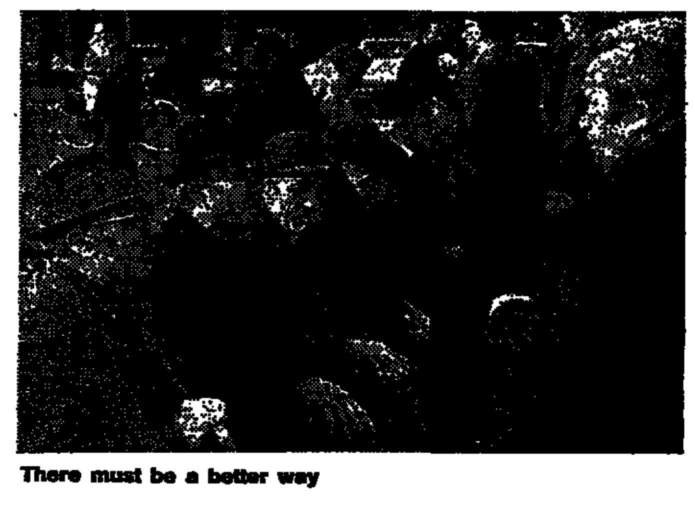
PENSION FUNDING

Anxiety over state 'lottery'

PENSIONE and *previdenza sociale* (pension and social insurance) are loaded words certain to elicit lively reactions from both pensioners and the workers whose monthly contributions foot the social security bill. The link between beneficiary, state intermediary and payer is fragile, inefficient and emotive.

Pensioners criticise the shortcomings and administrative hiccups of the state pension fund Istituto Nazionale della Previdenza Sociale (INPS). Workers see their gross salaries lightened by 7.15 per cent, to which the employer adds a further 22.92 per cent, and wonder if there will be value for money on retirement.

Indeed, many workers often wonder if they will receive anything on retirement. For several years INPS's ability to survive has been widely questioned. There are numerous alarmists and alarmed observers who predict the collapse of a body which last year disbursed L97,352bn, equivalent to 9.9 per cent of GDP.



There must be a better way

Nearly L88,000bn was spent on pensions in 1987, the average pension being worth about L8.2m (£2,646). At the end of December Italy was supporting 13.8m pensioners, of which 9.6m had been wage or salary earners, rather than self-employed contributors to the INPS scheme. About one half receive more than the minimum which was L415,000 (£178) per month at the start of the current year.

However, the question-mark against INPS's viability, provoked particularly by massive deficits in annual accounts during the 1980s, is attributed as much to the diversion of pensions contributions to cover other areas of spending as to payments to old-age pensioners. INPS's role as social shock absorber during the post-war period has been costly.

First, its resources were deployed in disability pensions, to assist the shift from agriculture to industry and to reduce the gap between the north and the much poorer *mezzogiorno*. More recently the Cassa Integrazione Guadagni (CIG) labour lay-off scheme has guaranteed wages during economic recessions. CIG reached a peak in 1984 with support for 816m hours, equivalent to about 470,000 workers. Pensions have been used as an electoral resource in Italy.

Moreover politics continues to be central to the debate about INPS and pensions in the future. Some of the disaster sirens are being sounded by pressure groups, seeking to promote alternative methods for pensions funding. But at a recent congress Giacinto Militello, INPS' chairman, drew attention to demographic and economic forecasts which suggest that the situation is far from desperate. "We should ignore the self-interested alarmists and concentrate on the real problems of changing the system," he said.

Reform of the state pension scheme seems, however, to be an intractable problem. There are several disputed areas: pensionable age (at present 55 for women and 60 for men), minimum contributions (currently 15 years), pension calculation (currently 2 per cent of income for every year of contribution calculated on the average of the last five years income), and supplementary retirement pensions.

Pensionable age will probably rise gradually to 65 for both men and women. It is possible that the minimum period of contributions will be lifted to 20 years with the pension calculation based on 1.5 per cent of income for every year of contribution, using the final 10 years' income. Clearly, Italians retiring after reform will be treated less well than those retiring today. Inevitably, reaching agreement on changes is difficult.

Politicians are finding progress equally hard to make on supplementary pensions, a matter close to the heart of the insurance companies. Deciding how such pensions should be financed is a major knot which needs untying. The suggestion that employees' leaving indemnities should be utilised is strongly contested.

It is unlikely that Italian business will be willing to follow banks' examples in financing house pension schemes. Indeed these are often cited as great attractions of bank employment which, with a few rare exceptions, industrial and commercial organisations do not match.

The schemes of the Banca Commerciale Italiana and Banco di Roma are typical. The Milanese bank bears the total cost (7.75 per cent of salary) of a scheme giving a pension with fixed and capital-linked elements. The average value of pensions paid by Banca Commerciale Italiana last year was about L7m.

At Banco di Roma the employer adds 5.05 per cent of salary to the 2 per cent contributed by the employee. The pension amounts to 0.5 per cent of salary (with ceiling for calculation of L45m) for each year of service. For the average employee at Banco di Roma the pension is similar to Banca Commerciale Italiana.

Notwithstanding the accusations of over-staffing which are levelled against the banking sector, Italy's banks employ only a small part of the country's total workforce, 0.3m from 20.8m. The vast majority of Italians depend wholly on INPS pensions when they retire. So tremors of preoccupation are understandable when changes are mentioned or the viability of the state pension fund is questioned.

There is no reassurance from the Socialist labour minister, Rino Formica. "The transformation of pensions into transfer payments has gone beyond the boundaries of class and generation solidarity, producing a net expansion of public expenditure," he said recently. "It is certain that public expenditure for pensions must be reduced," Mr Formica added, emphasising that reform can no longer be postponed.

Mr Militello, a Communist, claimed that that the most acute and worrying problem is not INPS's financial condition. "This seems to be a long way from the catastrophic scenes artfully constructed by adversaries of the public system," he said. Mr Militello rejects the idea that the solution can be found in a return to the individualistic ideologies of the 19th century.

The battle over pensions is heating up and the debate suggests that those who presently pay social security contributions are justified in being concerned about the pensions they will receive on retirement. Some observers describe the system as a lottery. It seems certain that there will be losers.

David Lane

Government securities in huge demand

High volumes lift the secondary market

A DELUGE of demand flooded the Bank of Italy at the beginning of November when the conditions were announced for the issue of *Buoni Poliennali del Tesoro* (BTP) – medium-term Treasury bonds. Everybody wanted part of the action and this led to massive over-subscription. Market operators sought more than L130,000bn, fourteen times over-subscribing the L9,500bn of bonds on offer.

"The demand was absurd," said a senior Treasury official. "If the minister had decided to enlarge the issue it would have brought Italy's financial market to a complete standstill. Operators would have been badly squeezed if the issue had been multiplied just three or four times. In order to pay, they would have been compelled either to turn to the central bank, which could have charged interest rates as it pleased, or to face exchange risks by borrowing abroad."

Anxiety to get a share of the issue, bearing what many analysts considered to be peak coupon, drove the securities managers in Italy's banks and other financial institutions to inflate their demands. The three-year BTP on offer were bearing 11.5 per cent, while the five-year bonds carried 12.5 per cent.

Since the beginning of the year rates had been edging upwards. The average yield on BTP in January was 10.29 per cent. By September it had reached 10.88 per cent. "Italian government securities are offering the highest real returns in the world," remarked Giovanni Palladino, managing director of Studi Finanziari, the research subsidiary of financial conglomerate Istituto Mobiliare Italiano (IMI). And even the senior Treasury official described real interest rates in Italy as abnormally high.

This situation arises from a combination of factors, above all the need to finance an enormous public sector deficit. Total public debt at the end of September amounted to L1,006,075bn, of which one quarter was financed by short-term Treasury bills, *Buoni Ordinari del Tesoro* (BOT), and just over one half by medium and long-term securities, BTP and floating rate Treasury credit certificates, "Certificati di Credito del Tesoro" (CCT).

The extent of the financing requirement is clear in the figures of the twice-monthly auctions of three, six and twelve-month BOT during the second two quarters of the year. A total L206,500bn of short-term bills was offered.

Mr Giovanni Palladino: 'banks should be lending to the economy, not to the state'

Over the same period, between April and September, the Treasury made six issues in monthly operations for a total of L19,550bn of CCT. There were L35,831bn of BTP (generally two issues each month, one of three years and the other of five) and 3,500bn Ecu of CTE. The figures are enormous. "The issue of government paper dominates the financial market," observed the senior Treasury official.

Politics has played another part in determining the movement of interest rates on Italian government securities. "The elections last year and the uncertainty which continued afterwards were reflected in market sentiment. For more than 12 months we had difficulties in issuing medium-term bonds," said the official.

In addition to the political factor, the yields on Treasury bills, bonds and certificates have been affected by the problems of Italy's mutual funds. Since August 1987 the funds have been suffering from lack of public confidence and a haemorrhage of redemptions. Net withdrawals during the first nine months of this year were about L10,000bn.

Government securities have been an important part of the domestic mutual funds' investments since the first were launched in 1984, accounting for between 55 and 60 per cent of overall portfolio until mid-1987. Since the flow of redemptions started, fund managers have been forced to sell in order to satisfy liquidity requirements. In the first nine months of the year, their total sales of government securities amounted to about L8,000bn, leaving about L24,000bn in portfolio.

"High interest rates during 1988 have been caused by a combination of uncertain market sentiment and massive sales of government securities in the secondary market by the mutual funds," said Mr Palladino. He added that Italy's banks also helped to depress the secondary market by selling Treasury bonds and certificates from their own portfolios.

"The banks should be lending money to the economy, not to the state," said Mr Palladino. Yet their balance sheets are heavily weighted with government paper, mainly medium and long term. At the end of 1987 the banking system's collective assets included L48,879bn of government securities, which was nearly twice the total of interbank lending and more than two-thirds of total customer loans and bank acceptances.

The combination of the large volumes of medium and long-term securities on the market and the steady selling by mutual funds and banks over the past year has given the secondary market an important function. In February this year the government approved a Ministerial Decree aimed at reorganising the market and bringing it under statutory control.

This represents the authorities' answer to the concern that the rapid expansion of the stock of outstanding government securities has not been matched by the development of an efficient secondary market. The problems of lack of transparency, rigidity and illiquidity of transactions which emerged during the second half of 1987 underlined the need for action.

Italy's secondary market for government securities now consists of the stock market where about 5 per cent are traded; a regulated over-the-counter market, which came into operation on 16 May with 20 securities and was enlarged in October to deal in 30 securities, representing about one-third of the volume of bonds traded; and a non-regulated over-the-counter market.

The market is made by 19 primary dealers (18 major banks and the IMI subsidiary Sige) who operate a screen-based dealing system with each supplying firm bid and offer prices for at least five government or government-backed securities. In addition, there are more than 150 dealers including mutual funds, insurance companies and other banks. The Bank of Italy, which with the companies and stock market commission Consob has responsibility for supervision, is also a dealer.

The authorities report that the system worked satisfactorily during its first four months. Average daily trading amounted to L220bn and the bid-ask spread was contained at an average of 13 basis points. "The secondary market had been an *araba fenice*, present but nobody could say exactly where. Though improvements are needed in the new market, it has worked better than expected," said the Treasury official.

"In the past, indications about market sentiment given by the secondary market were usually not very useful. However, we expect the regulated secondary market to provide us with a reference point for issues of securities in the future," he added.

It has not needed the secondary market to show the recent abrupt change in sentiment. This was clearly demonstrated by November's issue of BTP. The Treasury will now find it easier to attain its objectives of lower interest rates and increased life of debt.

"Caution has governed policy on rates. We have modified market preferences from floating to fixed rates, thus making debt easier to manage. And we can now conduct expectations downwards," said the senior Treasury official. New securities are being considered to lengthen the life of debt. "Fixed rate nine or ten year issues with the option of early redemption are a possibility," he confirmed.

External conditions are favourable and are assisting the conditions within Italy. With inflation looking set below 5 per cent, the real yields of government securities are around 6 per cent. Mr Palladino considers that a drop of two points can be expected by the end of 1989.

David Lane

LEGISLATIVE REFORM

The first slow steps

WHAT KIND of a face will Italy's public sector banks present in the 1990s? Under prompting from the authorities, bankers and politicians are bending their minds to the question.

Part of their attention centres on the corporate form which banks should take in the future. Part concerns the organisational model which banks should adopt. And another major issue is whether or not to revise Italy's 1936 omnibus Banking Law.

If the Bank of Italy gets its way, the foundations and associations which are today's public sector banks will be replaced by joint stock corporations. This would mean a significant change for large, historic institutions such as the Monte dei Paschi di Siena, the Istituto Bancario San Paolo di Torino and the Cassa di Risparmio delle Provincie Lombarde, as well as the whole savings bank sector.

Behind the central bank's proposal is the belief that the joint stock corporation is the most appropriate form to encourage a business approach to banking. Transformation would provide clearer ownership, permit an opening to outside capital and ensure greater accountability. In particular, juridical change would allow a number of public sector banks to approach the stock market more easily.

However, strongly vested interests could be challenged. For example, the boards of public sector banks, from the large public law credit institutions to the smallest savings banks, reflect the balance of political power. With a quota of profits to be distributed for local good works, board members have their hands on practical means for tending local patches.

The Bank of Italy's solution offers reassurance. The form of foundations and association would continue, thereby maintaining historical and local links without upsetting the political balance. They would have a new role as controlling shareholder, a position which might facilitate the moves towards mergers which the authorities are encouraging.

While the transformation of public sector banks into corporations has not yet overcome legislative hurdles and remains merely a proposal, concrete steps have been taken towards the creation of *gruppi plurifunzionali*, or multi-function groups. "The group model enables both private and public sector credit institutions to supply a wider range of services without losing the advantages of specialisation," Mr Ciampi said earlier this year.

The central bank's governor noted that it is an organisational solution the validity of which is independent of the specific requirements of the Italian banking system. A 1986 law "has given both the supervisory authority and banks' governing bodies access to the information needed to monitor the performance of the subsidiary companies of a group headed by a credit institution," said Mr Ciampi. Similarly, in the alternative configuration, where a non-bank financial company heads the group, supervision is on a consolidated basis.

The central bank's efforts are directed towards stimulating greater competition and higher efficiency

The push for change is aimed at banks' operations as well as their corporate structures. Last year the interministerial committee for credit and savings decided to liberalise the rules governing medium and long-term lending, previously restricted to savings banks and the special sections of the public law banks. The Bank of Italy issued a circular at the end of March which put the committee's decision into effect. With the exception of the very small rural banks and branches of foreign banks, all Italian banks are now subject to the same rules on medium and long-term lending.

The vexed question of branches, the numbers and locations of which have been tightly controlled by the central bank through a series of branch plans (the last in 1986), should become less contentious. Greater scope now exists for banks to make their own decisions on networks. In their March 1988 circular, the authorities provided instructions governing the transfer of branches. Flexibility, autonomy and response to market conditions seem to be the new watchwords.

The central bank's efforts are directed towards stimulating greater competition and higher efficiency which, if they bear results, should be good for the banks' customers. But the customer should also benefit when Italy enacts legislation on banking transparency.

The widespread belief among customers that banks are less than honest is fostered by opacity in conditions and lack of clarity in the presentation of statements. Legislation under consideration by the Italian parliament will not only satisfy EC requirements, that there should be regulation of bank contracts to the family sector by the end of 1989, but could also help dispel suspicions that banks cheat.

Mr Ciampi told a parliamentary commission that legislation should lay down principles rather than impose a set of rigid rules on transparency. He wants a succinct and elastic law which will delegate the detailed implementation to the interministerial committee on credit and savings and to the Bank of Italy.

Italy's banking association ABI has not waited for legislation to be enacted. It has already promoted a scheme among its members aimed at transparency and the publicising of conditions of interest rates and charges to customers. ABI has defined standard forms and methods to help customers understand what they are paying for bank services. "It is a concrete step which should not be undervalued," said Mr Ciampi.

Italy is one of the few industrialised world that has not rewritten its banking legislation since the 1930s. And clearly there are a range of issues which could be included in a new Banking Law.

However, the central bank favours a series of amendments to modify the 1936 Banking Law rather than wholesale redrafting of the legislation. Governor Ciampi and his colleagues are not saying so, but they clearly have nightmares just thinking about the prospect of turning over a matter as serious and detailed as the rewriting of the nation's banking legislation to members of the Italian parliament.

David Lane

Commercial banks' problems remain unsolved

Bad loans hard on savings banks

"THE RATE of increase is slowing and this suggests that the worst is behind us," said Piero Barucci, chairman of the Italian Banking Association ABI. Mr Barucci was painting a lighter shade to the bad loans which continue to discolour the accounts of Italy's banks.

In 1987 the value of loans in default rose by 16.2 per cent to reach a total of L23,355bn at year-end. The increases in the previous two years, which provide the grounds for Mr Barucci's optimism, had been 18.5 and 21.6 per cent. Nevertheless, default equal to 7.2 per cent of lending, the Bank of Italy's figure which some bankers consider an under-statement, is no small matter of concern.

Savings banks have been hit hardest by non-performing loans. While the ratio of default to assets has been declining in Italy's principal banks, the *casse di risparmio* face a worsening situation. At the end of last year default among Italy's savings banks was 8.7 per cent of their overall lending, a reflection of local emphasis and a tendency to lend to small and medium-sized businesses. "Certainly the case of the Cassa di Risparmi e Depositi di Prato is a problem of very high default," remarked Mr Barucci.

Mr Piero Barucci: attention needed to staff costs

Rising default was, however, only one of several negative features which characterised Italian banking last year. When banks announced their results in the spring, it became clear that the expectations of a poor year had been fulfilled. Overall the banking system's gross operating margin fell by 14.8 per cent. This was caused partly by a collapse in earnings from securities dealing. After reduced provisions and taxes, 1987's collective bottom line showed a drop of 10.1 per cent in net profit compared to the previous year.

But to the relief of bank boards, performance has since picked up. Mr Barucci noted that the results this year have improved. ABI published the half-year results of the country's 60 largest banks in October and the association's chairman pointed to the advance of 11 per cent in operating margin and 9 per cent in intermediation margin compared to June 1987. "Although the banks might not repeat 1986's results, the current year will turn out appreciably better than last," he predicted.

Widening interest rate margins have been the main contributor to the improvement. During 1987 the difference between average rates on loans (13.59 per cent) and deposits (7.02 per cent) was 6.57 per cent. Banks have been able to increase the spread this year, reaching 7.27 per cent in September. "Traditional banks which base their business on funds intermediation rather than securities dealing are doing best this year," confirmed Mr Barucci.

It seems, therefore, that Italy's banking system is recovering lost ground by raising prices rather than cutting its costs. Indeed, from figures in the Bank of Italy's annual report, published at the end of May, it seems that management's control over costs has slipped. The salary bill in 1987, which accounted for 71.8 per cent of total operating costs, was 10.1 per cent higher than in the previous year. Though this was partly caused by more employees, up by 1.1 per cent to 311,600, most of the escalation was due to salary rises significantly above the level of inflation.

"Great attention needs to be given to costs, particularly staff costs," said Mr Barucci. However, he noted that the salary bill in Italy continues to climb. "We are about to start negotiations on a new national contract. I hope that the result will not only keep costs in check but will also introduce flexibility in working practices which will allow banks to boost their efficiency," he said.

Overall figures for Italy's banking system suggest that the problem of over-staffing has not yet been tackled. And experience on the customers' side of the counter shows that there is considerable scope for improvements in efficiency and service. The new labour contract will provide an indication of the determination of Italian bankers to tackle one of their trickiest problems.

But recent experience of lack of collective will to grasp nettles is not encouraging. Notwithstanding frequent exhortations from the central bank, little progress has been made on bank mergers. The process of concentration which would cut jobs and could boost efficiency is bogged down by politics and interest, leaving customers to pay the price of fragmentation and deeply-rooted inefficiency.

David Lane

ITALY'S TOP TEN BANKS

Rank	Bank	Assets ($m)	Capital ($m)	Pre-tax Profits ($m)	Pre-tax profits on assets(%) Rank	1987	1986	Capital/assets ratio(%) Rank	1987	1986	Pre-tax profits/employee Rank	($)
1	Banca Nazionale del Lavoro	96,072	2,894	198	42	0.23	0.52	46	3.01	5.39	43	6,923
2	Istituto Bancario San Paolo	73,477	3,157	820	21	1.16	1.39	39	4.30	3.98	19	44,975
3	Monte dei Paschi di Siena	67,183*	3,872	na	na	na	na	25	5.76	5.95	na	na
4	Banca Commerciale Italiana	62,539	3,362	443	30	0.70	0.87	27	5.38	3.98	32	20,751
5	Banco di Napoli	59,343	1,001	98	43	0.18	na	50	1.69	1.87	41	7,211
6	Banco di Roma	56,361	1,404	24	44	0.04	0.26	48	2.49	1.62	44	1,607
7	Cariplo	53,891	3,408	817	14	1.59	1.86	22	6.32	5.97	8	77,236
8	Credito Italiano	50,448	2,532	192	37	0.37	0.80	33	5.02	3.55	38	11,072
9	Banco di Sicilia	31,140	1,480	109	39	0.36	0.28	36	4.75	4.28	37	11,116
10	Istituto Mobiliare	23,836†	2,940	774	1	3.41	na	3	12.33	10.53	3	329,870

*Unconsolidated figures; †Year end March 31 1987

Source: The Banker

PROFILE: RAINER MASERA

Academic's dual role

RAINER Masera is probably one of the cleverest men in Italy, and he has never seemed nervous about showing it.

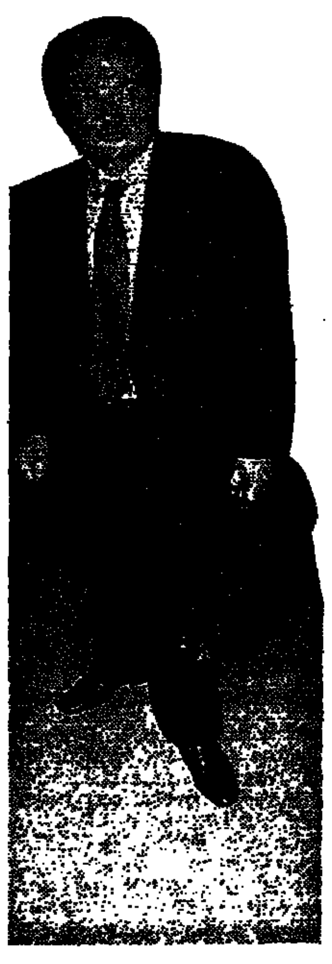
His intelligence has underpinned a career of precocious achievement which, via an Oxford doctorate in economics, the Bank of International Settlements and senior positions in the Bank of Italy, has delivered him at the age of 44 to the top administrative job at Istituto Mobiliare Italiano, Italy's largest medium-term credit institution.

His arrival there in October, as director general, is one of the most important personnel changes in Italian finance this year. His new role gives major operational responsibilities to a man whose intellectual grasp of economics and of international banking and finance is second to none in Italy. Working in tandem with Luigi Arcuti, IMI's highly respected president, Mr Masera's task is to find a role in the 1990s world of global finance for IMI's already considerable investment banking and securities operations.

With a primary capital at March 31 of L14,959bn, a loan portfolio of L124,581bn and funds under management of L20,000bn, IMI is the most diversified of Italy's state-owned merchant banks, with a "democratic reach" through a force of 3,500 securities salesmen, which far exceeds the more exclusive, all-powerful Mediobanca.

Yet in some ways IMI remains curiously anonymous, partly because it has 40-odd operating subsidiaries, and partly because it has not marketed itself with that much panache.

This is one omission which the new courteous, quietly spoken director general intends to remedy. IMI, he says, has not been taken as seriously as it should have been, although he acknowledges that its very complexity makes it difficult to explain.



Mr Rainer Masera

Having been launched at the beginning of the 1930s as a supplier of medium-term credit – a role then forbidden to ordinary commercial banks in Italy – it has since developed under Luigi Arcuti into a financial conglomerate with interests as diverse as retail banking, securities trading, investment banking, insurance, real estate trading and management consultancy.

Only a few weeks into his new job, Mr Masera is still learning the business, but it already seems that an expansion of IMI's commercial banking activities, currently based oncontrol of Banca Manusardi, may be at the heart of his futurestrategy. He acknowledges that IMI may have a role to play in restructuring Italian banking through mergers or acquisitions, and believes that access to a deposit base and to a daily relationship with corporate clients could be an immense strengthening of IMI's activities.

He also sees a variety of collaborative alliances with foreign institutions as a necessary response to the globalisation of markets which will strengthen IMI's investment banking and allow it to become a major seller of foreign securities in Italy, whose private investorsenjoy the highest rate of personal savings in the world.

Mr Masera's friends believe he left his post as director of economic research at the Bank of Italy because further advancement there appears to be blocked for the time being. He says that he wanted fresh challenges, and confesses that his work at the central bank was becoming "routine".

His role at IMI gives him a platform of experience from which to preach on some of his priority subjects, such as the need for much deeper thought on how financial services should be regulated at a European level after 1992.

The academic-turned-businessman is also excited by the opportunity to return to some university teaching, and has accepted a professorship in international finance at prestigious private Luiss University. One wonders how he will find the time.

John Wyles

THE CASSA DI PRATO AFFAIR

Test case for rescue fund

IN 1982 the corpse of Roberto Calvi, chairman of the Milan-based Banco Ambrosiano, was found hanging beneath Blackfriars Bridge, in the City of London.

The bank collapsed not long afterwards with $1.3bn of missing funds and the tale of fraud and underworld dealings that subsequently emerged made the Ambrosiano affair Italy's biggest and most bizarre post-war financial scandal.

At the time of the Ambrosiano crash, the bank's depositors were left unprotected, and talk began of the need for Italy to invent an insurance fund similar to America's FDIC.

In 1987 the Deposit Guarantee Fund was finally launched in Italy, with L1,000bn of capital that was contributed on a pro-rated basis by the nation's 1,100 banks.

Last month, in the first bank crisis since the fund was started, an emergency L1,100bn rescue was mounted for the Cassa di Risparmi di Prato, a Tuscan savings bank located in the town of Prato, a textile centre not far from Florence.

The Cassa di Prato affair, apart from representing the worst single crisis to befall an Italian bank since Ambrosiano, is a seminal test case for the new Guarantee Fund.

The rescue has been mired in controversy, and at the time of writing there were reports of judicial investigations into suspected fraud, and plans by a group of small shareholders to bring a civil lawsuit against the Bank of Italy, alleging negligence by the central bank's supervisors.

While the Prato affair concerns a bank that was much smaller than Ambrosiano, and while it does not have the international implications of the Calvi affair, it is nonetheless an important barometer of how well the Italian banking system is able to safeguard individual institutions – and depositors – when a crisis occurs.

The Bank of Italy sent three inspection teams to Prato between 1986 and this year. In the Spring of 1987, clearly concerned about bad debts from the loss-burdened local textile industry, the central bank forced the replacement of top executives at Prato. Problems mounted, however, and last January the central bank put pressure on other Tuscan savings banks to inject L200bn of fresh capital into the Cassa di Prato.

The affair is a barometer of how well the banking system is able to safeguard individual institutions and depositors

This September, with the bank teetering under L1,400bn of bad debts, of which L747bn are unrecoverable, fear spread among savers, and a run on deposits saw Prato's total deposit base shrink by 25 per cent. As the crisis worsened in September, the central bank finally sent in commissioners to take over the Cassa di Prato.

Critics have said that the central bank's *Vigilanza*, or supervisory division, did not act quickly enough. A lack of detailed information about Prato means it is too early to make any judgments about how well the central bank's supervisors have handled the affair.

As for the way in which the lifeboat was assembled, it is possible to draw some preliminary conclusions. The original rescue plan favoured by the central bank and senior members of the Guarantee Fund (which is chaired by Mr Francesco Bignardi, a veteran 68-year-old banker who heads the Bologna-based Credito Romagnolo) would have seen the new fund putting up L650bn of the lifeboat, with savings banks stumping up a further L350bn and a pool of six national banks supplying the remaining L100bn.

The original rescue plan failed because several banks, including the Banca Nazionale del Lavoro (BNL), balked at being called upon to provide additional capital beyond their pro-rated subscriptions to the Guarantee Fund. In particular,some bankers objected to the fact that the Guarantee Fund would end up owning control of Prato.

In the US, when the FDIC moves in to rescue a bank, it does, however, become an effective shareholder. Perhaps in Italy the fact that Prato is the first test-case for the fund means that Italian bankers are simply not used to the mechanism as yet.

The reluctance of banks to join in a lifeboat is not unique to Italy. In October this year several French banks balked at participating in the rescue of the troubled Al Saudi Banque, which was eventually saved by a group of commercial and bank creditors. France, however, does not have an FDIC-style fund.

The Bank of Italy is keen that cash-rich banks, such as IMI, Crediop, San Paolo, Cariplo or BNL, should in any case take over smaller institutions in need of capital. This, says the central bank, would help the process of restructuring the banking system, and would introduce more competition into regions of Italy that are traditionally dominated by local savings or agricultural banks.

In the Prato affair, the central bank appears to have been unable to impose its will on other banks, which raises questions about both the Bank of Italy's overall authority in the system and about the willingess of banks to join in a process of rationalising the system.

The Prato affair thus raises more questions than it answers. The prospect of judicial investigations means that, as often happens in Italy, this particular story will take time to unravel and may never be fully clear.

The institutional issues raised by the Guarantee Fund's first-ever lifeboat are important for the treatment of future bank crises. The Prato affair must thus be considered an experiment for the Italian banking system, and a costly one at that.

Alan Friedman

RETAIL BANKING

Oiling the clearing system

ONE DOES not need to be a McKinsey banking analyst in order to appreciate that a continuing deficiency in the Italian banking system is the generally poor level of service for retail customers.

Any tourist who walks into an Italian bank encounters a swirling sea of humanity (customers) clamouring for the attention of clerks, a lengthy wait to be served, and frequently the charging of commissions for cashing cheques which, under the Eurocheque system, should be free.

The Italians, having no other experience, are accustomed to the sight of low-paid clerks who tend to smoke cigarettes, flirt with their colleagues, make telephone calls, or simply ignore their customers. But even the locals tend to be frustrated by the lack of a service mentality.

As Italy's predominantly state-controlled banking system tries hard to be more competitive, attempts are being made to improve customer services. But the system has several in-built inefficiencies which seem unlikely to be addressed in the near future.

These include the civil service status of state bank employees; the difficulty of restructuring banks by means of redundancies; and the cushy manner in which banks have got used to earning a float on the back of cheques that take up to a month to be cleared.

Italian bankers admit that in an ideal world most banks could function well – and even better if between 20 and 30 per cent of the staff were made redundant, almost a political impossibility.

Banks have been spending large sums on automation, including terminals for clerks and cash dispensers for the nationwide Bancomat system. Unfortunately the new technology is often "thrown" at the bank branches in an unco-ordinated and inefficient manner. Labour-reducing computers are often introduced without labour reductions.

The most serious obstacle to a smoother system is the poor state of cheque-clearing. But, with the urging of the central bank and several top bankers, a new clearing system was launched on November 16. If this works well among the 200 banks involved, it will be expanded to include more of the nation's 1,100 separate banking institutions.

The central bank, working with the Association of Italian Banks (ABI), aims to reduce the time it takes to clear cheques between banks in different cities from an average of 28-45 days to nine working days. Until the experiment began last month, all such cheques were sent between banks by post.

The new clearing system has the co-operation of 200 banks operating in 40 cities, where Bank of Italy clearing rooms will attempt to sort out delays. What is astonishing, according to those involved in piloting the new system, is that a number of bankers have complained of the additional "cost" associated with offering a faster clearing system. What the bankers mean is that, if cheques are cleared in a matter of days rather than weeks, they will lose the interest income earned on the float.

The Bancomat system, meanwhile, is in some ways actually one of Europe's more advanced cash dispenser networks, in that it allows customers to use their cards at the automated teller machines (ATMs) of numerous different banks up and down the Italian peninsular. The problem is that not all the banks that have pledged to abide by Bancomat rules are doing so, and one frequently finds one's card rejected by a machine that serves only its own customers.

At the end of the day, say Italian bankers, a "cultural change" is needed in the way the individual retail customer is seen by top bank executives.

As was the case in Britain only a decade ago, the issues related to retail banking – as opposed to the more glamorous areas of corporate or international banking – are often looked down upon by top bankers. The boom in retail services in other countries has taught bankers that, aside from improving efficiency and reducing cost structures, lucrative fees can be generated from value-added retail services. This notion has not yet taken root in Italy.

Alan Friedman

Bank stands firm

Continued from Page 1

argued that banks could be protected from abuse by industrial owners if strict limits were placed on the flow of loans to the selfsame industrial concerns. The central bank, however, does not appear convinced by this.

The door to industry is, however, already ajar. Mr Ciampi says he does not object to industrial companies owning up to 15 per cent of banks, and both the Agnelli and De Benedetti groups are already indirect minority shareholders in two major private banks – the former has a stake in Nuovo Banco Ambrosiano (held by Gemina), and Mr De Benedetti leads a coalition that controls Credito Romagnolo.

The manner in which this issue is resolved could have important implications not only on the bank ownership front, but also in terms of how Italy's big industrial concerns allocate their financial resources in the 1990s. Many members of the Italian financial world fear, meanwhile, that precious time and energy is being wasted on the debate.

Critics of the current debate say that Italian industrialists such as Mr Romiti could better use their time and company cash balances to concentrate on achieving Europe-wide economies of scale; while the Italian central bank could make more efficient use of its resources to press for priorities such as faster cheque-cashing, a stronger interbank market, and more cuts in public-sector spending.